

HOGAN & HARTSON
L.L.P.

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REGULATORY AUTH.

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OFFICE OF THE
EXECUTIVE SECRETARY

October 2, 2000

COLUMBIA SQUARE TN
555 THIRTEENTH STREET, NW AUTI
WASHINGTON, DC 20004-1109
TEL (202) 637-5606 5 PM 1
FAX (202) 637-5910
WWW.HHLAW.COM
EXECUTIVE SECRET

BY FEDERAL EXPRESS

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Attention: Debra Webb

00-00878

**RE: Application of Zone Telecom, Inc., to Provide
Facilities-Based and Resold Intrastate
Interexchange and Private Line
Telecommunications Services**

Please find enclosed an additional 10 copies of Zone Telecom, Inc.'s ("Zone's") September 29, 2000, filing which contained: (1) Zone's Application Form for Certificate to Resell Telecommunications Services in Tennessee ("Application Form"); (2) a check in the amount of \$50 to cover the associated application fee; and (3) Zone's Application for Authority and associated documentation in support of the Application Form.

Zone's September 29, 2000, filing provided four copies of the above-listed documents. We are sending these additional copies pursuant to the instructions in an October 2, 2000, voice mail to us from Debra Webb stating that the TRA needs a total of thirteen copies of such applications. Please associate nine of the copies in this package with our original filing in order to bring the number of copies provided to a total of 13.

Please date-stamp and return the additional copy of this supplemental filing in the enclosed, self-addressed, postage-prepaid envelope.

HOGAN & HARTSON
L.L.P.

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
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September 29, 2000

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David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505


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**RE: Application of Zone Telecom, Inc., to Provide
Facilities-Based and Resold Intrastate
Interexchange and Private Line
Telecommunications Services**

Please find enclosed for filing an original and five copies of: (1) Zone Telecom, Inc.'s ("Zone's") Application Form for Certificate to Resell Telecommunications Services in Tennessee ("Application Form"); (2) a check in the amount of \$50 to cover the associated application fee; and (3) Zone's Application for Authority and associated documentation in support of the Application Form.

Please date-stamp and return the additional copy of this filing in the enclosed, self-addressed, postage-prepaid envelope. Please contact the undersigned if you have any questions regarding this filing.

Respectfully submitted,


Mace J. Rosenstein
Jennifer A. Purvis

Attorneys for Zone Telecom, Inc.

cc: Lawton Bloom

Enclosures

**APPLICATION FOR CERTIFICATE
TO PROVIDE OPERATOR SERVICES AND/OR
RESELL
TELECOMMUNICATION SERVICES IN TENNESSEE
SECTION A**

Application is hereby made for a certificate of authority pursuant to TRA Rule 1220-4-2-.57 to provide telecommunications services in the State of Tennessee.

Part I : General Information

A. Name of Applicant Zone Telecom, Inc. ("Zone")
Full exact name of person, corporation, partnership, sole proprietorship, or other entity, for which application is made.

Zone Telecom, Inc.
Legal name of applicant, if different from above.

279 Harvard St., Suite 21 Cambridge MA 02139
Address City State Zip

Tenn. Secretary of State Certificate of Authority ID 0393000

Federal Taxpayer ID Number 04-3520968

Social Security Number for Applicants
Applying as Individuals N/A
Any trade name(s), assumed name(s) or fictitious name(s) used by applicant: N/A

If applicant has affiliate(s) engaged in providing telecommunications services, provide the above requested information for each affiliate(s), as well as for the applicant.

Name: e-Kong Group Limited
Address Suite 2101-E, K Wah Centre City North Point, Hong Kong
191 Java Road
State _____ Zip Code _____ Phone No. () _____ - _____
(Use additional pages if necessary)

*****IMPORTANT INFORMATION*****

If applicant has affiliate(s) or parent company, or constituency corporations, engaged in providing telecommunications services, or operating under any trade name, assumed name or fictitious name used by the above, provide the above requested information on all parts of this application as well as for the applicant. Provide this information on a separate attachment, if necessary.

THIS SECTION FOR TRA USE ONLY

Docket Number _____	Company ID Number _____
	Date Approved _____
	Evaluator _____

- B. Describe other businesses or business transactions, if any, at the same location as the principal business address: _____

N/A

- C. Provide the name, business and home address of and a chronological summary of the employment history and business experience over the preceding eight years of:

- (a) The proprietor, if the applicant is an individual;
- (b) Every member, if the applicant is a partnership;
- (c) Each Executive Officer, Director and each Key Stockholder if the applicant is a joint stock association or a corporation. (Note: If the applicant is a publicly traded corporation or a subsidiary of such a corporation it does not need to provide this information)
- (d) Any person in a position to exercise control over or direction of, the business of the applicant, regardless of the form of organization of the applicant.

Information to be included:

NAME
BUSINESS ADDRESS
HOME ADDRESS
EMPLOYMENT HISTORY

TITLE

SOCIAL SECURITY NUMBER
PHONE No.
PHONE No.

Provide the above requested information on separate attachments.

Please see page 3 and Section III of the attached Application for Authority.

- D. Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, L.L.C. members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust) been associated with a business whose authority to transact business was denied, revoked or suspended by a state or federal regulatory or law enforcement entity?

_____ Yes X No

If yes, please explain fully.

- E. Has the Tennessee Regulatory Authority, or any other agency of the State of Tennessee, any federal agency or any agency of any other state ever initiated a regulatory action or order against the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, L.L.C. members, directors, officers, five percent (5%) more shareholders or beneficiaries (of a trust)?

_____ Yes X No

If yes, please explain fully.

- (1) Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, L.L.C. members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust), been enjoined or restrained by order by any court or state or federal regulatory or law enforcement entity from engaging in any conduct or practice related to the telecommunications business? _____ Yes X No

If yes, please explain fully

- F. Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, L.L.C. members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust) been associated with a business who has ceased providing telecommunications services in any state, describe the circumstances. **(Use additional pages if necessary)**

No. Neither the applicant nor any of its parent companies, subsidiaries, affiliates, directors, officers, or five percent or more shareholders has ever been associated with a business that has ceased providing telecommunications services in any state.

- G. Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, L.L.C. members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust) been convicted of any crime or crimes, or charged in court with any fraudulent or dishonest acts in any transaction of any kind, or confined in any penal institution? If so, list such persons, give details, state results and final outcome. **(Use additional pages if necessary)**

No. Neither the applicant nor any of its parent companies, subsidiaries, affiliates, directors, officers, or five percent or more shareholders have ever been convicted of any crime or crimes, or charged in court with any fraudulent or dishonest acts in any transaction of any kind, or confined in any penal institution.

- (1) Has the applicant or any of its parent companies, subsidiaries, affiliates, owners, partners, L.L.C. members, directors, officers, five percent (5%) or more shareholders or beneficiaries (of a trust) been indicted, convicted, pled guilty or pled nolo contendere to a felony in Tennessee or elsewhere?

_____ YES ___ X ___ NO If yes, please explain fully.

- H. Name and telephone number of contact person authorized to respond to Authority inquiries regarding company operations Monday through Friday.

Jill Papenhausen (609) 268-4372 (609) 268-8713
Name Phone No. Fax No.

(800) 626-4736 ext. 4372 e-mail Address jpapenhausen@furst.com

- (1). Name and telephone number of contact person authorized to respond to Authority inquiries regarding this filing Monday through Friday.

Gina Spade or
Jennifer Purvis (202) 637-5600 (202) 637-5910
Name Phone No. Fax No.

(800) N/A e-mail Address gspade@hhlaw.com or jpurvis@hhlaw.com

- I. List a toll-free telephone number and mailing address that consumers can call or write to report service problems and/or request refunds or adjustments.

<u>1/800-233-4736</u>	<u>1/800-626-4736</u>
PHONE NUMBER	ALTERNATE PHONE NUMBER
<u>459 Oakshade Road</u>	<u>Shamong NJ 08088</u>
ADDRESS	CITY ST ZIPCODE

- (J) Provide the name and address of the registered agent for service of process:

CT Corporation System, 530 Gay Street

Knoxville, TN 37902

- (K) Identify all authorized agents in the state, if any, by name, address, business and home phone numbers, and any other businesses conducted by the agent at the same location: (use additional sheets if necessary)

Not applicable.

Part II:

- A. Check the type of telecommunication services you plan to provide in Tennessee.

☒ Resell Interexchange long distance services
☐ Operator Services
☐ Resell local services

☒ Other (describe) Facilities-based interexchange services, private line services, and pre-paid calling card services. Please see Section IV of the attached Application for Authority.

- B. If providing operator services, list company name, address and contact person for all reseller carriers you serve in Tennessee. **Provide the above information on Appendix I.**

Not applicable.

- C. List the state(s) where the applicant, its parent company, and all affiliates is authorized to operate in at this time. For each such state, describe applicant's current activities along with a history of operations there. (Use additional pages if necessary.)

Zone is in the process of applying for authority to provide intrastate interexchange telecommunications services in all 50 states and the District of Columbia. As of this date, Zone has been granted authorization to provide intrastate interexchange services in the states of Colorado, Idaho, Iowa, Maine, Massachusetts, New Jersey, North Carolina, Oregon, Pennsylvania, Rhode Island, Texas, Virginia, Washington, and Wyoming. Although Zone has not begun to provide service in any of those states, Zone's ultimate parent company e-Kong Group Limited ("e-Kong") through its predecessors and affiliates currently provides service to customers in Hong Kong and Singapore. Please see Section I of the attached Application for Authority for more information.

For the above states, list the number and types of complaint(s) filed against applicant, and the complaint(s)' current status. Provide this information on a separate attachment, if necessary.

No complaints have ever been filed against Zone.

If applicant has affiliate(s) or parent company, or constituency corporations, engaged in providing telecommunications services, or operating under any trade name, assumed name or fictitious name used by the above, provide the above requested information for all as well as for the applicant. Provide this information on a separate attachment, if necessary.

As indicated above, Zone's ultimate parent, e-Kong, provides services in Hong Kong and Singapore, but does not provide any telecommunications services in the United States. For additional information on e-Kong, please see Section I of the attached Application for Authority.

- D. List any states that the applicant or any affiliate, parent company, or constituency corporation operating under any trade name, assumed name, or fictitious name, has been denied authority to provide service. (Use additional pages if necessary)
Zone has never been denied authority to provide service in any state.
- E. Areas in Tennessee to be served.
Throughout the entire state.
- F. What type of customers will the applicant serve?
a. Business X
b. Residential X
c. Aggregators _____
(e.g. Hotels, Payphones)
d. Other (specify) _____
- G. Does the applicant allow a property imposed fee (PIF) to be added to the price of intrastate telephone calls over its network? If yes, specify amount. No
- H. Are your prices for intrastate services plus any PIF equal to or less than the dominant carriers' price for similar services? Yes X No _____
- I. Describe the type of services and price that the applicant will be offering in Tennessee on the Informational Tariff Form found in Appendix II.¹
- J. What is the applicant's 10XXX or 800 access code, if applicable? N/A
- K. Does the applicant now have or plan to have any telecommunication's facilities (e.g. switches, fiber lines) in Tennessee? No, at this time, Zone does not have facilities in Tennessee. However, Zone may acquire telecommunications facilities in the future.
- L. Whose facility-based network(s) will the applicant be reselling? At this time, Zone plans to resell services provided over the facilities-based networks of Sprint and AT&T.
- M. Will the applicant be utilizing the local telephone company's billing system or billing customers directly²? Both. A copy of a bill (with customer identifying information redacted) is included with this application form as Attachment A.

¹ Applicant is required to fill out an Informational Tariff form. Failure to fill out this form will cause the applicant's request to be rejected.

² A copy of a bill is required if the applicant is going to bill the customer directly.

- N. Describe briefly how the applicant plans to market their services in Tennessee?

Zone currently plans to market its services through advertising (e.g., print, mass media, direct mailings) and employee sales people.

- O. If independent telemarketers are to be used, list the name, contact person, address, phone number and federal taxpayer ID for each company.

Zone does not currently plan to use independent telemarketers.

COMPANY NAME	CONTACT	ADDRESS	CITY	ST	ZIP	PHONE
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COMPANY NAME	CONTACT	ADDRESS	CITY	ST	ZIP	PHONE
--------------	---------	---------	------	----	-----	-------

COMPANY NAME	CONTACT	ADDRESS	CITY	ST	ZIP	PHONE
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COMPANY NAME	CONTACT	ADDRESS	CITY	ST	ZIP	PHONE
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- P. Describe the methods and procedures by which the applicant will use to switch a consumer's preferred interexchange service, and to prevent unauthorized switching of a consumer's interexchange service. Use additional pages if necessary. If you have written procedures or company guidelines, attach copies.

Zone does not condone and will not tolerate the unauthorized conversion (better known as slamming) of a customer onto its long distance service. To ensure excellence of service, Zone will offer specialized and ongoing training to its employees. Its employees will be routinely monitored and will also be required to sign an agreement to abide by stringent policies and procedures when securing a sale. Any Zone employee who is found to be in violation of these policies will be severely disciplined up to and including dismissal. Zone will have an independent third party verify every sale via telemarketing. Zone will tape record (with the customer's permission) this verification call to protect both the customer and Zone and to ensure accuracy. Under certain circumstances, Zone will also require a written LOA (Letter of Agency) from the customer before submitting the order for provisioning.

- Q. Applicant has the ability and agrees to honor the form of call blocking that the consumer has subscribed to with their local telephone company. Yes X No

- R. Applicant gives permission to the local telephone company to provide the Authority a periodic sample of the reseller's intrastate toll calls. The purpose of this analysis is to audit the reseller's rates to assure they are at or below the dominant carrier's tariffed rates. Yes X No

Part III: Organization Structure

A. Applicant's organizational structure

 X Corporation

 Publicly Traded Corporation

 X Subsidiary of a Publicly Traded Corporation

 Limited Liability Corporation

Attach a copy of the articles of organization and operating agreement along with amendments.

 Other Form of Corporation

List type _____ (Example S Corporation)

Attach a copy of the charter, bylaws and/or certificate of incorporation.

 Association

Attach a copy of the charter, bylaws and/or certificate of incorporation and Letter of Authorization from Tennessee Secretary of State.

 Joint Stock Association

Attach a copy of the charter, bylaws and/or certificate of incorporation and Letter of Authorization from Tennessee Secretary of State.

 Trust

Attach a copy of the trust agreement and Letter of Authorization from Tennessee Secretary of State.

 Individual

Attach a copy of the Letter of Authorization from Tennessee Secretary of State.

SECTION (a)-(g) is to be completed if applicant is a Corporation Association or Trust

(a) The date and state of formation/incorporation: June 13, 2000

(1) Parent Company, if applicable Zone USA, Inc.

(b) Attach a certificate of good standing from the state in which the applicant was incorporated/formed.

A copy of Zone's certificate of good standing from its state of incorporation is included with this form as Attachment B.

(1) Attach a copy of Certification of Authority issued by Tennessee Secretary of State showing corporation's authority to engage in business in Tennessee.

A copy of Zone's Certificate of Authority to engage in business in Tennessee is provided as Exhibit 2 to the attached Application for Authority.

- (d) Describe the corporate structure of the applicant, including the identity of any parent or subsidiary of the applicant. Disclose whether any parent or subsidiary is publicly traded on any stock exchange.

A chart depicting the ownership structure of Zone is provided as Exhibit 3 to the attached Application for Authority. As discussed in Section I of the attached Application for Authority, the stock of Zone's ultimate parent, e-Kong, is publicly traded on the Hong Kong stock exchange.

- (e) Provide the history of material litigation and criminal convictions of every current director, executive officer, or key shareholder of the applicant for the ten-year period prior to the date of this application.

No director, executive officer, or key shareholder of Zone is or has ever been the subject of material litigation or convicted of any crime.

- (f) If applicable, attach a copy of the instrument creating the trust and all amendments thereto:

Not applicable.

B. ☐ Proprietorship

☐ Partnership

☐ General **Attach a copy of the partnership agreement along with any amendments.**

☐ Limited **Attach a copy of the certificate of limited partnership and the partnership agreement along with any amendments.**

☐ Other (Explain on separate sheet)

All of the above will be required to submit a valid business license.

- (a) Identify the place and date of the applicant's qualifications to provide telecommunications services in this state.

Please see Section III of the attached Application for Authority for a demonstration of Zone's qualifications to provide telecommunications services in Tennessee.

- (b) List the full name, social security number and address of the owners, if a sole proprietorship, or all partners identifying the percentage of ownership:

ATTACH ADDITIONAL PAGES AS NECESSARY

Not applicable.

C. Number of employees: Approximately 50.

Employer Identification Number (E.I.N.) 04-3520968

Part IV: Financial Information

A. Address where business records are kept: 279 Harvard St., Suite 21
street
Cambridge MA 02139 (617) 876-3002
CITY STATE ZIP CODE PHONE NUMBER

B. Attach a copy of the applicant's most recent unconsolidated and consolidated audited financial statements for the immediately preceding three-year period. Provide in detail the applicant's financial condition, including balance sheet and income statement, or a copy of IRS form 1120 or 1065 filed by your business for the previous year. Attach, if available, a copy of your company's 10K and/or stockholder reports.

As a newly formed corporation, Zone does not currently have financial statements for the proceeding three years. In lieu of such statements, Zone respectfully submits copies of the audited financial statements and related materials for its ultimate parent company, e-Kong Group, for the year ended December 31, 1999, as well as e-Kong's interim unaudited financial statements for the six month period January 1, 2000, to June 30, 2000. Copies of these financial statements are included as Exhibit 5 to the attached Application for Authority.

(1) Fiscal year end: Month _____ Day _____

(2) Date of most recent audited, unconsolidated financial statement of Applicant:

(3) If applicable, name and address of independent certified public accountant:

(4) Period covered by financial statement attached:

C. Does the applicant currently have an internal auditor and/or internal audit program? No

If so, Name of internal auditor _____

C. If applicable, provide a history of applicant's material litigation and criminal convictions for the ten-year period prior to the date this application is made. Material litigation is defined as any litigation that, according to generally accepted accounting principles, is deemed significant to a person's financial health and would be required to be referenced in annual audited financial statements, reports to shareholders or similar documents.

Zone has never been involved in any material litigation or been the subject of any criminal convictions.

Part VI: Rule Compliance Agreement

A Have you read and understand the Tennessee Regulatory Authority's (TRA) Rules and Regulations for Resellers, 1220-4-2 located at the TRA's website <http://www.state.tn.us/tra> electronic fileroom in its entirety?
 X Yes No

- B. Do you understand the penalties for non-compliance, and all associated fees to provide such service? X Yes No

Mail the completed application and a check for \$50.00 to: Tennessee Regulatory Authority, **P.O. Box 198907, Nashville, TN 37219-8907**. Should you have any questions, call (615) 741-7489, ext. 163.

The Reseller or Operator Service Provider applicant, hereby, affirms the following:

Will comply with the TRA Reseller Rules and all other applicable Authority Rules and state laws, including T.C.A. Section 65-5-206 located at the TRA's website <http://www.state.tn.us/tra> *electronic fileroom* under the External Site of Lexis Law Publishing.

Having been duly sworn, and under the penalties of perjury, I hereby certify that the representations in this RESELLER APPLICATION and all attachments and appendices are true and correct to the best of my knowledge and belief. I further understand that omissions or inaccuracies may result in denial of the APPLICATION and grounds for revocation of Certificate of Authority.

[SIGNATURE PAGE FOLLOWS]

Zone Telecom, Inc.
(NAME OF CORPORATION)

BY:

Lawton Bloom
SIGNATURE

Lawton Bloom
PRINTED NAME

Vice President and Secretary
Title

ATTEST:

Title

On this the 28th day of September, 2000 before me, a Notary Public

J. Bloom

known to me to be the person(s) named in, and who executed the foregoing application, being duly sworn according to law, deposes and says that the statements and representations set forth in the above application are true and correct to the best of his/her knowledge and belief.

M. J. G. Gavel
Notary Public

seal

7/7/06

Appendix I

<u>Reseller Name</u>	<u>Address</u>	<u>Contact Person</u>	<u>Phone Number</u>
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Not applicable.

Appendix II
Informational Tariff Sheet

<u>Description of Service</u>	<u>Applicant proposed Price change to consumer</u>	<u>Dominant Carriers³ Price for similar service</u>
<p>* The dominant carrier (AT&T) rates that we received from Staff in order to complete this Appendix included only rates for operator services. Since Zone does not propose to provide operator services, this Appendix does not appear to apply to Zone's certification application.</p> <p>* For a description of the types of services and the associated prices that Zone will offer in Tennessee, please see Section IV of the attached Application for Authority and Exhibit 6 to the attached Application for Authority, which contains Zone's proposed tariff in Tennessee.</p>		

³ Dominant Carrier (South Central Bell or AT&T, whichever is appropriate). A copy of these companies' rates are found on Appendix V.

ATTACHMENT A

|||||

[Customer name and address redacted]

Remember..... ON-LINE BILLING is available for your convenience!
With FURSTVIEW, you can receive and view your monthly invoice on
the internet. Go to www.furst.com for more information.....or call
us at 1-800-233-4736, a representative is waiting to assist you.

Thank you for choosing Furst for all of your telecommunication
needs.

PLEASE CUT ALONG LINE AND RETURN LOWER SECTION WITH YOUR REMITTANCE.

[Customer name and address redacted]

Amount Enclosed _____

Please Write Your Account # () On Your Check

PAYMENT OF \$109.62 DUE ON 07/19/00

Make Check Payable To: THE FURST GROUP

THE FURST GROUP, INC.
PO BOX 6022
BELLMAWR, NJ 08099-6022

00000000044866200001096262

[Customer name redacted]

June 29, 2000

Summary Page 1

Account #

Summary of Usage By Origination Number								
Number	Calls	Minutes	Amount	Number	Calls	Minutes	Amount	
[origination number redacted]	64	184.5	24.26	[origination number redacted]	146	348.4	52.70	
	16	35.2	5.00					

Area Code Summary for Switched Outbound											
Area Code	Calls	Minutes	Amount	Area Code	Calls	Minutes	Amount	Area Code	Calls	Minutes	Amount
205 AL	3	3.9	0.52	502 KY	5	10.3	1.37	717 PA	2	9.0	1.18
256 AL	4	3.1	0.42	606 KY	39	140.8	18.43	718 NY	9	40.3	6.07
336 NC	86	202.2	26.67	616 MI	1	0.7	0.10	770 GA	2	1.6	0.21
416 ON	1	0.9	0.40	706 GA	2	3.7	0.49	828 NC	1	1.5	0.20
423 TN	62	122.9	22.30					531 TN	9	21.0	3.57

Summary of International Calls								
Country	Service	# of Calls	Length	Amount	Country	Service	# of Calls	Length
CANADA	ON SO	1	0.9	0.40				

Summary of Long Duration Calls											
Date	Time	City	St	Number	Length	Amount	Date	Time	City	St	Number

***** Includes all calls 20 minutes or longer *****

06/08/00 3:15 pm BARBOURVL KY (606)546-9456 23.7 3.87 | 05/23/00 9:48 am BROOKLYN NY (718)259-3501 23.1 3.01

Frequently Called Cities for Switched Outbound								
City - State	Calls	Minutes	Amount	City - State	Calls	Minutes	Amount	

***** Includes all cities called 20 times or more *****

LEXINGTON NC 85 201.4 26.56 |

[Customer name redacted]

Account #

June 29, 2000

Page 2

Switched Outbound Call Detail by Origination Number

Date	Time	City	St	Number	Length	Amount	Date	Time	City	St	Number	Length	Amount
Calls From:							Calls From: (865) 376-7299						
05/16/00	7:09 am	LEXINGTON	NC	(336) 238-3177	1.9	0.25	05/16/00	10:12 am	LEXINGTON	NC	(336) 249-4902	0.8	0.12
05/17/00	9:04 am	LEXINGTON	NC	(336) 238-3177	2.3	0.30	05/17/00	9:03 am	LEXINGTON	NC	(336) 249-4902	1.0	0.13
	10:25 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08		11:58 am	LEXINGTON	NC	(336) 249-4901	1.9	0.25
05/18/00	8:16 am	LEXINGTON	NC	(336) 238-3177	2.4	0.32		3:27 pm	DECATUR	TN	(423) 334-4043	6.6	1.21
	10:08 am	LEXINGTON	NC	(336) 238-3177	9.7	1.27	05/18/00	2:17 pm	DECATUR	TN	(423) 334-9032	1.8	0.31
	10:19 am	LEXINGTON	NC	(336) 238-3177	0.9	0.12	05/23/00	9:47 am	BROOKLYN	NY	(718) 255-2727	4.5	0.59
	10:31 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08	05/30/00	12:54 pm	LEXINGTON	NC	(336) 249-4902	0.5	0.06
05/19/00	2:34 pm	LEXINGTON	NC	(336) 238-3177	3.1	0.41	05/31/00	9:54 am	LEXINGTON	NC	(336) 249-4902	2.1	0.15
	2:38 pm	LEXINGTON	NC	(336) 238-3177	0.9	0.12		3:27 pm	BRISTOL	TN	(423) 534-3574	0.5	0.09
	2:40 pm	LEXINGTON	NC	(336) 238-3177	0.9	0.12	06/07/00	2:42 pm	LOUISVILLE	KY	(502) 426-0480	0.4	0.06
05/22/00	6:10 am	LEXINGTON	NC	(336) 238-3177	4.5	0.59	06/14/00	8:25 am	HARBOURVIL	KY	(606) 546-6980	1.0	0.13
	6:21 am	LEXINGTON	NC	(336) 238-3177	2.1	0.28		2:16 pm	MIDDLESBO	KY	(606) 347-4307	0.3	0.04
	10:16 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08	06/15/00	9:04 am	LEXINGTON	NC	(336) 249-4901	0.8	0.11
	10:18 am	LEXINGTON	NC	(336) 238-3177	4.1	0.54		12:11 pm	LEXINGTON	NC	(336) 249-4901	12.2	1.59
05/23/00	8:57 am	LEXINGTON	NC	(336) 238-3177	2.4	0.32		2:19 pm	LEXINGTON	NC	(336) 249-4901	1.2	0.16
	9:48 am	BROOKLYN	NY	(718) 259-3901	23.1	3.01		2:53 pm	DECATUR	TN	(423) 334-9014	0.5	0.09
05/25/00	6:28 am	LEXINGTON	NC	(336) 238-3177	5.7	0.75	Subtotal for (865) 376-7299						
	6:35 am	LEXINGTON	NC	(336) 238-3177	1.7	0.23	Calls: 16 Length: 35.2 Amount: \$5.00						
	7:09 am	LEXINGTON	NC	(336) 238-3177	3.0	0.39	Calls From: (865) 376-9300						
	10:40 am	LEXINGTON	NC	(336) 238-3177	6.5	0.85	05/16/00	9:42 am	LEXINGTON	NC	(336) 249-4901	1.7	0.23
	10:48 am	LEXINGTON	NC	(336) 238-3177	2.3	0.30		10:05 am	DAYTON	TN	(423) 775-1920	0.4	0.07
	1:11 pm	LEXINGTON	NC	(336) 238-3177	0.6	0.08		10:39 am	LEXINGTON	NC	(336) 249-4901	0.9	0.12
	1:12 pm	LEXINGTON	NC	(336) 238-3177	0.9	0.12		10:51 am	DECATUR	TN	(423) 334-9032	2.6	0.44
05/26/00	7:57 am	LEXINGTON	NC	(336) 238-3177	2.7	0.36		10:59 am	DAYTON	TN	(423) 775-1920	0.5	0.09
	12:53 pm	LEXINGTON	NC	(336) 238-3177	1.3	0.17		11:00 am	SOMERSET	KY	(606) 678-2842	0.3	0.04
05/30/00	6:58 am	LEXINGTON	NC	(336) 238-3177	1.6	0.24		11:01 am	CORBIN	KY	(606) 524-4454	3.1	0.41
	8:16 am	LEXINGTON	NC	(336) 238-3177	1.3	0.17		11:07 am	BURNSIDE	KY	(606) 541-4146	5.0	0.65
	12:53 pm	BROOKLYN	NY	(718) 259-3901	0.8	0.11		1:24 pm	TORONTO	ON	(416) 280-6103	0.9	0.40
	12:55 pm	BROOKLYN	NY	(718) 259-3901	0.8	0.11		1:28 pm	DAYTON	TN	(423) 775-1920	0.5	0.09
	12:56 pm	BROOKLYN	NY	(718) 259-3901	0.8	0.11		3:44 pm	DECATUR	TN	(423) 334-4043	1.0	0.17
05/31/00	7:59 am	LEXINGTON	NC	(336) 238-3177	4.9	0.64	05/17/00	7:24 am	MIDDLESBO	KY	(606) 347-3407	0.3	0.04
	8:06 am	LEXINGTON	NC	(336) 238-3177	1.0	0.13		7:27 am	HARBOURVIL	KY	(606) 546-6980	3.4	0.45
06/01/00	8:56 am	LEXINGTON	NC	(336) 238-3177	6.1	0.80		9:50 am	DAYTON	TN	(423) 775-1920	0.6	0.11
	10:08 am	LEXINGTON	NC	(336) 238-3177	12.9	1.68		10:35 am	LEEDS	AL	(205) 640-5181	1.3	0.17
06/02/00	7:05 am	LEXINGTON	NC	(336) 238-3177	1.3	0.17		10:58 am	LEEDS	AL	(205) 640-5181	1.7	0.23
	10:09 am	LEXINGTON	NC	(336) 238-3177	6.4	0.84		11:07 am	LEEDS	AL	(205) 640-5181	0.9	0.12
06/05/00	7:14 am	LEXINGTON	NC	(336) 238-3177	2.4	0.32		11:11 am	DAYTON	TN	(423) 775-1920	6.2	1.05
	7:18 am	LEXINGTON	NC	(336) 238-3177	1.2	0.16		11:18 am	DAYTON	TN	(423) 775-8400	0.3	0.06
	7:57 am	LEXINGTON	NC	(336) 238-3177	0.9	0.12		2:18 pm	SOMERSET	KY	(606) 678-2842	1.3	0.17
	10:33 am	LEXINGTON	NC	(336) 238-3177	1.3	0.17		3:25 pm	CORBIN	KY	(606) 524-4454	13.2	1.72
	11:10 am	LEXINGTON	NC	(336) 238-3177	0.3	0.04	05/18/00	9:56 am	DAYTON	TN	(423) 775-8400	10.1	1.70
	11:11 am	LEXINGTON	NC	(336) 238-3177	1.0	0.13		2:19 pm	BRISTOL	TN	(423) 534-3574	2.1	0.36
	11:13 am	LEXINGTON	NC	(336) 238-3177	0.7	0.10		2:32 pm	CLEVELAND	TN	(423) 476-0504	0.3	0.06
	11:35 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08	05/19/00	9:20 am	CLEVELAND	TN	(423) 476-0504	3.4	0.58
	11:35 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08		11:07 am	STEVENSON	AL	(256) 437-3325	0.7	0.10
	12:53 pm	LEXINGTON	NC	(336) 238-3177	1.5	0.20		11:08 am	STEVENSON	AL	(256) 437-3356	0.8	0.11
06/06/00	6:52 am	LEXINGTON	NC	(336) 238-3177	0.9	0.12		1:33 pm	DAYTON	TN	(423) 775-8400	0.5	0.09
	6:54 am	LEXINGTON	NC	(336) 238-3177	4.0	0.52		1:35 pm	CLEVELAND	TN	(423) 476-0504	3.2	0.54
	6:59 am	LEXINGTON	NC	(336) 238-3177	2.3	0.30		2:20 pm	LEXINGTON	NC	(336) 249-4901	1.3	0.17
06/07/00	8:15 am	LEXINGTON	NC	(336) 238-3177	3.8	0.50		3:08 pm	DAYTON	TN	(423) 775-8400	1.3	0.22
	9:09 am	LEXINGTON	NC	(336) 238-3177	0.9	0.12	05/22/00	8:22 am	CROSSVILLE	TN	(931) 484-3347	2.3	0.39
06/08/00	8:08 am	LEXINGTON	NC	(336) 238-3177	4.5	0.59		8:44 am	CROSSVILLE	TN	(931) 484-3347	4.7	0.79
	9:56 am	LEXINGTON	NC	(336) 238-3177	1.1	0.15		10:57 am	FAIRBURN	GA	(770) 964-7813	1.2	0.16
	10:47 am	LEXINGTON	NC	(336) 238-3177	0.7	0.10		11:18 am	CORBIN	KY	(606) 524-4454	7.7	1.01
06/09/00	7:30 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08	05/23/00	9:54 am	BROOKLYN	NY	(718) 891-3939	9.6	1.25
	7:31 am	LEXINGTON	NC	(336) 238-3177	3.7	0.49		11:27 am	HARRISBURG	PA	(717) 545-4747	4.8	0.63
06/12/00	8:13 am	LEXINGTON	NC	(336) 238-3177	0.6	0.08		12:02 pm	LEXINGTON	NC	(336) 249-4901	0.7	0.10
	8:14 am	LEXINGTON	NC	(336) 238-3177	2.5	0.33		12:37 pm	CROSSVILLE	TN	(931) 484-1160	0.5	0.09
	10:04 am	LEXINGTON	NC	(336) 238-3177	11.6	1.51		12:47 pm	CROSSVILLE	TN	(931) 484-3347	3.3	0.56
	10:16 am	LEXINGTON	NC	(336) 238-3177	1.3	0.17		12:52 pm	HARRISBURG	PA	(717) 545-4747	4.2	0.55
06/13/00	12:47 pm	LEXINGTON	NC	(336) 238-3177	2.3	0.30		12:56 pm	BROOKLYN	NY	(718) 259-2727	1.5	0.20
06/14/00	9:33 am	LEXINGTON	NC	(336) 238-3177	4.4	0.58		2:16 pm	BROOKLYN	NY	(718) 259-2727	2.5	0.33
06/15/00	8:19 am	LEXINGTON	NC	(336) 238-3177	5.1	0.67		3:04 pm	CLEVELAND	TN	(423) 476-0504	4.2	0.71
	2:41 pm	LEXINGTON	NC	(336) 238-3177	0.8	0.11		3:58 pm	CROSSVILLE	TN	(931) 484-3347	0.7	0.12
Subtotal for (865) 376-3261							05/24/00	4:11 pm	CROSSVILLE	TN	(931) 484-3347	1.6	0.27
Calls: 64 Length: 184.5 Amount: \$24.26								8:41 am	LOUISVILLE	KY	(502) 426-0480	6.8	0.89
								9:31 am	SOMERSET	KY	(606) 678-2842	0.5	0.07

[Customer name redacted]

June 29, 2000

Account #

Page 3

Switched Outbound Call Detail by Origination Number

Date	Time	City	St	Number	Length	Amount	Date	Time	City	St	Number	Length	Amount
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Calls From: - Cont...

05/24/00	9:35 am	CHATTNOOGA	TN	(423)240-7692	0.5	0.16
	4:11 pm	LEXINGTON	NC	(336)249-4901	1.6	0.21
05/25/00	8:25 am	SOMERSET	KY	(606)678-2842	10.3	1.34
	10:17 am	LEXINGTON	NC	(336)249-4901	0.8	0.11
	12:23 pm	DECATUR	TN	(423)334-9032	0.7	0.12
	1:14 pm	GRAND RAPIDS	MI	(616)456-0056	0.7	0.10
	3:28 pm	LOUISVILLE	KY	(502)426-0480	0.4	0.06
	5:29 pm	CHATTNOOGA	TN	(423)875-4260	3.2	0.49
05/26/00	8:19 am	BRISTOL	TN	(423)534-3574	0.3	0.06
	10:35 am	SOMERSET	KY	(606)678-2842	0.3	0.04
	10:35 am	SOMERSET	KY	(606)678-2842	0.3	0.04
	10:36 am	BURNSIDE	KY	(606)561-4146	0.7	0.10
	12:19 pm	DECATUR	TN	(423)334-9014	0.4	0.07
	12:32 pm	CHATTNOOGA	TN	(423)309-8279	3.6	0.61
	12:36 pm	SPRINGCITY	TN	(423)365-5556	1.6	0.27
	1:12 pm	SOMERSET	KY	(606)678-2842	0.7	0.10
	1:13 pm	LEXINGTON	NC	(336)249-4901	4.1	0.54
	1:28 pm	SOMERSET	KY	(606)678-2842	0.3	0.04
	2:14 pm	STEVENSON	AL	(256)437-3325	0.3	0.04
	2:31 pm	SOMERSET	KY	(606)678-3842	0.3	0.04
	2:31 pm	SOMERSET	KY	(606)678-2842	0.3	0.04
	2:50 pm	BURNSIDE	KY	(606)561-4146	2.4	0.32
05/30/00	8:54 am	LEXINGTON	NC	(336)249-4901	1.1	0.15
	9:19 am	LEXINGTON	NC	(336)249-4901	2.7	0.36
	9:25 am	LEXINGTON	NC	(336)249-4901	0.7	0.10
	12:48 pm	BROOKLYN	NY	(718)259-2727	2.7	0.36
	1:04 pm	CLEVELAND	TN	(423)476-0504	0.5	0.09
05/31/00	7:35 am	BARBOURVL	KY	(606)546-6980	13.7	1.79
	8:06 am	SOMERSET	KY	(606)678-2842	1.6	0.21
	9:27 am	LEXINGTON	NC	(336)249-4901	1.6	0.21
	9:36 am	SOMERSET	KY	(606)678-2842	0.3	0.04
	9:45 am	BURNSIDE	KY	(606)561-4146	0.4	0.06
	11:04 am	BRISTOL	TN	(423)341-5659	0.3	0.06
	1:38 pm	TENINGA	GA	(706)328-3030	0.5	0.07
	1:42 pm	SOMERSET	KY	(606)678-2842	0.3	0.04
06/01/00	8:53 am	SOMERSET	KY	(606)678-2842	16.5	2.15
	9:40 am	MIDDLESBO	KY	(606)347-4307	0.4	0.06
	10:05 am	TENINGA	GA	(706)328-3030	3.2	0.42
	10:30 am	CROSSVILLE	TN	(931)456-1724	1.5	0.26
	10:35 am	CLEVELAND	TN	(423)476-0504	2.4	0.41
	10:47 am	CROSSVILLE	TN	(931)456-1724	6.1	1.03
06/02/00	10:21 am	LOUISVILLE	KY	(502)426-0480	2.0	0.26
	10:25 am	SOMERSET	KY	(606)678-2842	8.6	1.12
	2:50 pm	CLEVELAND	TN	(423)476-0504	0.4	0.07
	2:51 pm	CHATTNOOGA	TN	(423)240-7692	0.3	0.06
	2:53 pm	DAYTON	TN	(423)775-1920	8.1	1.37
	3:16 pm	CHATTNOOGA	TN	(423)240-7692	0.3	0.06
06/03/00	1:44 pm	DIR ASST	TN	(423)555-1212	0.3	1.40
06/05/00	10:29 am	LEXINGTON	NC	(336)249-4901	0.5	0.07
	11:07 am	LEXINGTON	NC	(336)249-4901	0.7	0.10
	1:52 pm	STEVENSON	AL	(256)437-3356	1.3	0.17
06/06/00	12:07 pm	LEXINGTON	NC	(336)249-4901	0.7	0.10
	12:46 pm	SPRINGCITY	TN	(423)365-5556	1.1	0.22
	1:14 pm	DECATUR	TN	(423)334-9570	0.6	0.11
	1:27 pm	DAYTON	TN	(423)775-8400	1.8	0.31
	1:29 pm	CLEVELAND	TN	(423)476-0504	0.4	0.07
	1:30 pm	CHATTNOOGA	TN	(423)240-7692	0.7	0.12
06/07/00	9:32 am	CROSSVILLE	TN	(931)456-1730	0.3	0.06
	12:45 pm	DAYTON	TN	(423)775-8400	0.4	0.07
	12:48 pm	CLEVELAND	TN	(423)476-0504	3.8	0.64
	1:14 pm	CLEVELAND	TN	(423)476-0504	6.2	1.05
	2:24 pm	DAYTON	TN	(423)775-8400	0.3	0.06
	2:42 pm	LOUISVILLE	KY	(502)594-1331	0.7	0.10
	3:11 pm	DAYTON	TN	(423)775-8400	0.9	0.16
	3:49 pm	DAYTON	TN	(423)775-8400	2.7	0.46
06/08/00	8:39 am	BRISTOL	TN	(423)534-3574	0.6	0.11
	10:26 am	LEXINGTON	NC	(336)249-4901	1.0	0.13

Calls From: (865)376-9300 - Cont...

06/08/00	11:40 am	BARBOURVL	KY	(606)546-9458	14.0	1.82
	2:36 pm	LEXINGTON	NC	(336)249-4901	0.7	0.10
	2:38 pm	DECATUR	TN	(423)334-9043	0.6	0.11
	3:25 pm	BARBOURVL	KY	(606)546-9458	29.7	3.87
	3:51 pm	DECATUR	TN	(423)334-9043	0.4	0.07
06/09/00	2:20 pm	DECATUR	TN	(423)334-9014	12.7	2.14
06/12/00	10:00 am	DECATUR	TN	(423)334-9032	2.2	0.37
	10:03 am	DECATUR	TN	(423)334-9032	0.7	0.12
	10:06 am	DECATUR	TN	(423)334-9012	0.8	0.14
	12:30 pm	DECATUR	TN	(423)334-3622	8.2	1.38
	12:39 pm	LEXINGTON	NC	(336)249-4901	2.0	0.26
	12:58 pm	NEWTON	NC	(828)465-0040	1.5	0.20
06/13/00	9:36 am	DECATUR	TN	(423)334-9032	0.6	0.11
	9:38 am	DECATUR	TN	(423)334-9032	0.6	0.11
	10:38 am	BRISTOL	TN	(423)534-3574	0.3	0.06
	11:54 am	BRISTOL	TN	(423)534-3574	0.9	0.16
	3:19 pm	MIDDLESBO	KY	(606)347-4307	0.3	0.04
06/14/00	8:05 am	MIDDLESBO	KY	(606)347-4307	0.3	0.04
	8:23 am	MIDDLESBO	KY	(606)347-4307	0.3	0.04
	8:24 am	BARBOURVL	KY	(606)546-9758	0.3	0.04
	11:05 am	BARBOURVL	KY	(606)546-9458	1.2	0.16
06/15/00	7:20 am	MIDDLESBO	KY	(606)347-4307	0.3	0.04
	7:21 am	MIDDLESBO	KY	(606)347-4307	0.3	0.04
	7:41 am	MIDDLESBO	KY	(606)347-4307	0.3	0.04
	7:41 am	MIDDLESBO	KY	(606)347-4307	0.3	0.04
	7:47 am	BOWDON	GA	(770)258-3394	0.6	0.08
	11:28 am	DECATUR	TN	(423)334-9435	0.9	0.16
	12:24 pm	WINSTON SAL	NC	(336)723-7200	0.8	0.11
	1:32 pm	CLEVELAND	TN	(423)476-0504	0.7	0.12
	2:54 pm	DECATUR	TN	(423)334-3814	3.3	0.56
	3:14 pm	CLEVELAND	TN	(423)476-0504	0.4	0.07

Subtotal for (865)376-9300

Calls: 146 Length: 348.4 Amount: \$52.70

Switched Outbound Call Detail by Origination Number

Calls: 226 Length: 568.1 Amount: \$81.96

Account #

[Customer name and
address redacted]

Usage From: 05/16/00 to 06/15/00
Invoice Date: June 28, 2000

	Length	Calls	Amount
Switched Outbound Interstate Usage	423.3	154	55.69
Intrastate Usage	143.6	70	24.47
Intrastate Dir. Assistance	0.3	1	1.40
Canada Usage	0.9	1	0.40
Total Usage	568.1	226	\$81.96

Previous Balance \$114.28
Payment Received 06/15/2000 -114.28

Balance Forward \$0.00
Monthly Recurring Charge 05/16/2000 To 06/15/2000 2.00
PICC-3 lines @ 4.25 05/16/2000 To 06/14/2000 12.75
Total Usage 81.96
Universal Connectivity Charge 5.71
Special Tax 1.97
Federal Excise Tax 1.03
Sales Tax 2.20

Current Monthly Charges \$109.62

Balance Due \$109.62

If you have any questions about your bill or service
please call 1-800-233-4736. Thank you.

ATTACHMENT B

Office of the Secretary of State

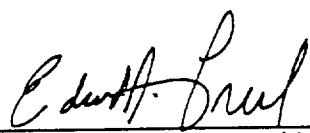
I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ZONE TELECOM, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-SEVENTH DAY OF SEPTEMBER, A.D. 2000.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



3242585 8300

001488128


Edward J. Freel, Secretary of State

AUTHENTICATION: 0701322

DATE: 09-27-00

**Before the
TENNESSEE REGULATORY AUTHORITY**

Application of)
)
Zone Telecom, Inc.)
)
For a Certificate of Public Convenience)
and Necessity to Provide Facilities-)
Based and Resold Intrastate)
Interexchange and Private Line)
Telecommunications Services)

Docket No.

00-00878

REC'D TH
JUN 14 1994
JUN 14 5 PM 1 34
EXECUTIVE SECRETARY

APPLICATION FOR AUTHORITY

Pursuant to TRA Rule 1220-4-2.57 (10 Tenn. Comp. R. & Regs. r. 1220-4-2.57) and Section 65-4-201 of the Tennessee Code (Tenn. Code. Ann. § 65-4-201), Zone Telecom, Inc. ("Zone" or the "Applicant"), hereby requests a Certificate of Public Convenience and Necessity to provide non-dominant, facilities-based and resold intrastate interexchange and private line services to consumers in Tennessee. 1/

Zone is concurrently filing with this Application a letter notifying the Tennessee Regulatory Authority ("TRA") of a proposed transfer of selected assets from The Furst Group, Inc. ("TFG"), an authorized provider of intrastate interexchange telecommunications services in Tennessee, to Zone

1/ Also filed with this pleading is a completed "Application [Form] for Certificate to Provide Operator Services And/Or Resell Telecommunications Services in Tennessee."

("Asset Transfer"). 2/ That notification letter: (1) describes the proposed Asset Transfer; (2) requests, to the extent necessary, a variance or waiver of any applicable TRA rules or statutes governing letters of authorization for changes in presubscribed carriers; and (3) demonstrates that the proposed transfer of assets from TFG to Zone will serve the public interest. To facilitate the timely completion of that transfer of assets, Zone respectfully requests that the instant Application be processed and granted on an expedited basis.

I. THE APPLICANT

Zone is a Delaware corporation whose principal office and place of business is located at 279 Harvard Street, Suite 21, Cambridge, Massachusetts 02139. 3/ Zone is an indirect wholly-owned subsidiary of e-Kong Group Limited ("e-Kong Group"), a widely-held Bermuda corporation whose stock is listed on the Hong Kong Stock Exchange. 4/ The only individual or entity holding more than ten percent of the issued and outstanding voting stock of e-Kong Group is Goldtron Limited, a Singapore corporation, which has an 11.12 percent non-controlling voting stock interest.

2/ A copy of the Asset Purchase Agreement between Zone and TFG is being submitted with the concurrently-filed Asset Transfer notification.

3/ Zone's Certificate of Incorporation and Bylaws and Certificate of Authority to Do Business in Tennessee are attached hereto as Exhibits 1 and 2, respectively.

4/ A chart depicting the ownership structure of Zone and a list of Zone's officers and directors are attached hereto as Exhibits 3 and 4, respectively.

e-Kong Group's principal office and place of business is located at Suite 2101-3, K. Wah Centre, 191 Java Road, North Point, Hong Kong.

e-Kong Group is a prominent Hong Kong-based Internet and telecommunications company. In Hong Kong and Singapore, e-Kong Group, through wholly-owned affiliates, engages in the resale of international telecommunications services through a unique scalable and portable service portal that provides its customers with access to a wide range of carriers at a single source, thereby enabling users to select the most competitive prices for their calls. e-Kong Group has approximately 320 employees world-wide.

II. DESIGNATED CONTACTS

The designated primary contacts for this application are:

Mace J. Rosenstein
Jennifer A. Purvis
Hogan & Hartson L.L.P.
555 Thirteenth Street NW
Washington, DC 20004-1109
Tel: 202-637-5600
Fax: 202-637-5910
E-Mail: mjrosenstein@hhlaw.com
jpurvis@hhlaw.com

Copies of all correspondence, notices and orders pertaining to this application also should be sent to:

Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139
Tel: 617-876-3002
Fax: 617-687-7791
E-Mail: lbloom@mindspring.com

III. ZONE POSSESSES THE REQUISITE MANAGERIAL, TECHNICAL AND FINANCIAL QUALIFICATIONS TO RECEIVE THE REQUESTED AUTHORITY

As demonstrated below, Zone possesses the requisite managerial, technical and financial qualifications to provide the services for which TRA authority is being requested.

A. Managerial Qualifications

Zone is an indirect wholly-owned subsidiary of e-Kong Group, a Hong Kong-based Internet and telecommunications company. Zone's executive managers, who are drawn from the management ranks of e-Kong Group, collectively have more than fifty years of experience in the design and operation of communications systems and services. As shown below, Zone's senior executives are experienced in sales, service, implementation, marketing and management of telecommunications service providers, and therefore possess the requisite managerial qualifications to provide telecommunications service in Tennessee:

Name and Title	Background
Derrick Bulawa, President and Chief Executive Officer	Mr. Bulawa is CEO of e-Kong Group, and has 15 years of Internet and communications experience in the United States and Asia. Prior to joining e-Kong Group, Mr. Bulawa held senior executive and operational positions with, among others, STAR TV, UNIFI Communications, and GTE Spacenet.

Name and Title	Background
Lawton Bloom, Vice President and Secretary	Mr. Bloom is Vice President, Strategy – North America, of e-Kong Group, and has extensive experience in managing enhanced voice and data services. Previously, he held management positions at UNIFI Communications and has acted as a court-appointed receiver for a U.S. long distance reseller.
Steven D. Pohl Assistant Secretary	Mr. Pohl is Assistant Secretary of Zone Telecom, Inc. He also serves as Zone's counsel in matters relating to business transactions.
Robbin Wells, Chief Technology Officer	Mr. Wells is Vice President, Technology, of e-Kong Group, and has more than 22 years of technology experience, including the development of IP networks across North America, Europe and Asia.
Jeffrey Fraser Vice President of Product Development	Mr. Fraser is Vice President, Regional e-Business, of e-Kong Group, and has extensive experience in developing and operating enhanced voice and data services. Previously he has held management positions at oCen Communications, GTE Internetworking and UNIFI Communications.
Jeffrey Cheng, Chief Financial Officer and Treasurer	Mr. Cheng is Chief Financial Officer of e-Kong Group, where he is responsible for overall financial management of the company.

In addition, Zone expects to offer employment to several of TFG's current operational employees, thereby maintaining continuity of service to TFG's existing customers, while assuring that Zone will have access to the expertise and resources of incumbent TFG personnel following consummation of the TFG asset transaction.

B. Technical Qualifications

Zone's ultimate corporate parent, e-Kong Group, through wholly-owned subsidiaries, engages in the resale of international telecommunications

services in Hong Kong and Singapore through a unique scalable and portable service portal that provides its customers with access to a wide range of carriers at a single source, thereby enabling users to select the most competitive prices for their calls.

More generally, e-Kong Group focuses on the development of scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. e-Kong Group specializes in the creation of business-to-business and mass market e-commerce platforms through which on-line customers can have immediate access to many offerings across a particular sector and can pick and mix products and services to suit their needs.

As described above, Zone's executive managers are drawn from the ranks of e-Kong Group's management. In addition, Zone intends to retain certain TFG employees engaged in the day-to-operations of the businesses that Zone will acquire in Tennessee as a result of the TFG asset transaction. Accordingly, Zone has ample experience providing telecommunications services, and will possess the technical expertise and qualifications necessary to do so in Tennessee.

C. Financial Qualifications

Zone, through the strong cash position and creditworthiness of e-Kong Group, its ultimate parent corporation, has access to sufficient capital in order to provide competitive telecommunications services in Tennessee. ^{5/}

IV. **AUTHORITY REQUESTED AND PROPOSED SERVICES**

By this Application, Zone seeks authority to provide facilities-based and resold intrastate interexchange services to residential and business customers throughout the State of Tennessee.

Specifically, Zone seeks authority to provide a variety of competitive telecommunications services, including the following:

- Retail and wholesale switched interLATA (and, in certain cases, intraLATA) long distance services.
- Retail and wholesale calling card services.
- Retail and wholesale private line services.
- Prepaid calling card services.

A copy of Zone's proposed tariff to provide service in Tennessee is attached hereto as Exhibit 6. For service, billing and repair inquiries, customers will be able to contact Zone representatives 24 hours a day, seven days a week, at 1-800-233-4736 and 1-800-626-4736, or by writing to Zone

^{5/} Copies of e-Kong Group's audited financial statements and related materials for the year ended December 31, 1999, as well as e-Kong Group's unaudited interim financial statements for the six month period January 1, 2000, to June 30, 2000, are attached hereto as Exhibit 5.

Telecom, Inc., Customer Service Division, 459 Oakshade Road, Shamong, NJ 08088.

Zone hereby agrees to abide by all applicable statutes, orders, rules and regulations adopted by the TRA governing the provision of telecommunications services by Zone. Because Zone will be a non-dominant, competitive provider of telecommunications services in Tennessee, it respectfully requests, to the extent applicable, that it be subject to the same streamlined regulatory treatment afforded other competitive carriers in Tennessee.

V. GRANT OF THE REQUESTED AUTHORITY IS IN THE PUBLIC INTEREST

Grant of the authority requested herein will facilitate competition in the provision of a variety of telecommunications services in Tennessee. Grant of the requested authority and the services that Zone will provide pursuant to that authority also will serve the public interest by contributing to the full utilization of existing interexchange telecommunications plant and by providing cost effective rates for interexchange telecommunications services. As explained above, Zone's corporate parent, e-Kong Group, is a leader in the development and deployment of innovative competitive telecommunications services that aim, above all, to provide customers with flexibility and choice. Zone will be guided by the same principles as it enters the telecommunications marketplace in Tennessee.

By virtue of its affiliation with e-Kong Group, Zone is well qualified to provide reliable competitive telecommunications services to residential and business customers in Tennessee. Zone's management will bring to bear the expertise of its parent company in the provision of efficient, innovative and reliable telecommunications services throughout Tennessee.

CONCLUSION

For the reasons described above, Zone respectfully requests that the TRA grant it the approval requested herein on an expedited basis.

Respectfully submitted,

ZONE TELECOM, INC.



Lawton Bloom

Vice President and Secretary

Zone Telecom, Inc.

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Its attorneys

Dated: September 29, 2000

EXHIBIT 1

State of Delaware
Office of the Secretary of State

PAGE 1

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "ZONE TELECOM, INC.", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF JUNE, A.D. 2000, AT 2 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



3242585 8100

001299580



Edward J. Freel, Secretary of State

AUTHENTICATION: 0495091

DATE: 06-14-00

CERTIFICATE OF INCORPORATIONOFZONE TELECOM, INC.

The undersigned, a natural person, for the purposes of organizing a corporation for conducting the business and promoting the purposes hereinafter stated, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and generally known as the "General Corporation Law of the State of Delaware"), hereby certifies that:

FIRST: The name of the corporation (hereinafter called the "Corporation") is Zone Telecom, Inc.

SECOND: The address, including street, number, city, and county, of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware 19801; and the name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

THIRD: The nature of the business and the purposes to be conducted and promoted by the Corporation, shall be to engage in any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is Three Thousand (3,000) shares of Common Stock, \$0.01 par value per share.

FIFTH: The name and the mailing address of the incorporator are as follows:

NAMEADDRESS

Steven D. Pohl

c/o Brown, Rudnick, Freed & Gesmer
One Financial Center
Boston, MA 02111

SIXTH: The Corporation shall have perpetual existence.

SEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this

Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

EIGHTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

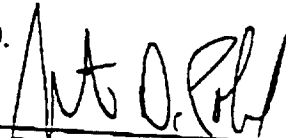
1. The business of the Corporation shall be conducted by the officers of the Corporation under the supervision of the Board of Directors.
2. The number of directors which shall constitute the whole Board of Directors shall be fixed by, or in the manner provided in, the By-Laws. No election of Directors need be by written ballot.
3. The Board of Directors of the Corporation may adopt, amend or repeal the By-Laws of the Corporation at any time after the original adoption of the By-Laws according to Section 109 of the General Corporation Law of the State of Delaware; provided, however, that any amendment to provide for the classification of directors of the Corporation for staggered terms pursuant to the provisions of subsection (d) of Section 141 of the General Corporation Law of the State of Delaware shall be set forth in an amendment to this Certificate of Incorporation, in an initial By-Law, or in a By-Law adopted by the stockholders of the Corporation entitled to vote.

NINTH: The Corporation may, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which a person indemnified may be entitled under any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

TENTH: From time to time any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Article TENTH.

ELEVENTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this paragraph (b) of this Article ELEVENTH shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment.

Signed on the 13th day of June, 2000.



Steven D. Pohl, Incorporator

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BY-LAWS

of

ZONE TELECOM, INC.

A Delaware Corporation

Adopted: June 13, 2000

A handwritten signature in cursive script, appearing to read "Lawton Bloom", written in dark ink.

Lawton Bloom, Secretary

BY-LAWS

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BY-LAWS

OF

ZONE TELECOM, INC.

(A Delaware Corporation)

ARTICLE I.

Stockholders

Section 1.1. Annual Meeting. The annual meeting of the stockholders of the corporation shall be held on such date as shall be fixed by the Board of Directors, at such time and place within or without the State of Delaware as may be designated in the notice of meeting. If the day fixed for the annual meeting shall fall on a legal holiday, the meeting shall be held on the next succeeding day not a legal holiday. If the annual meeting is omitted on the day herein provided, a special meeting may be held in place thereof, and any business transacted at such special meeting in lieu of annual meeting shall have the same effect as if transacted or held at the annual meeting.

Section 1.2. Special Meetings. Special meetings of the stockholders may be called at any time by the president or by the board of directors. Special meetings of the stockholders shall be held at such time, date and place within or outside of the State of Delaware as may be designated in the notice of such meeting.

Section 1.3. Notice of Meeting. A written notice stating the place, date, and hour of each meeting of the stockholders, and, in the case of a special meeting, the purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting, and to each stockholder who, under the Certificate of Incorporation or these By-laws, is entitled to such notice, by delivering such notice to such person or leaving it at their residence or usual place of business, or by mailing it, postage prepaid, and addressed to such stockholder at his address as it appears upon the books of the corporation, at least ten (10) days and not more than sixty (60) before the meeting. Such notice shall be given by the secretary, an assistant secretary, or any other officer or person designated either by the secretary or by the person or persons calling the meeting.

The requirement of notice to any stockholder may be waived (i) by a written waiver of notice, executed before or after the meeting by the stockholder or his attorney thereunto duly authorized, and filed with the records of the meeting, (ii) if communication with such stockholder is unlawful, (iii) by attendance at the meeting without protesting prior thereto or at its commencement the lack of notice, or (iv) as otherwise excepted by law. A waiver of notice of any regular or special meeting of the stockholders need not specify the purposes of the meeting.

If a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken, except that if the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.4. Quorum. The holders of a majority in interest of all stock issued, outstanding and entitled to vote at a meeting shall constitute a quorum. Any meeting may be adjourned from time to time by a majority of the votes properly cast upon the question, whether or not a quorum is present.

order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

ARTICLE II.

Board of Directors

Section 2.1. Powers. Except as reserved to the stockholders by law, by the Certificate of Incorporation or by these By-laws, the business of the corporation shall be managed under the direction of the board of directors, who shall have and may exercise all of the powers of the corporation. In particular, and without limiting the foregoing, the board of directors shall have the power to issue or reserve for issuance from time to time the whole or any part of the capital stock of the corporation which may be authorized from time to time to such person, for such consideration and upon such terms and conditions as they shall determine, including the granting of options, warrants or conversion or other rights to stock.

Section 2.2. Number of Directors; Qualifications. The board of directors shall consist of such number of directors, not less than one (1) nor more than twelve (12), as shall be fixed initially by the incorporator(s) and thereafter by the board of directors. No director need be a stockholder.

Section 2.3. Nomination of Directors.

(a) Nominations for the election of directors may be made by the board of directors or by any stockholder entitled to vote for the election of directors. Nominations by stockholders shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the secretary of the corporation not less than 14 days nor more than 60 days prior to any meeting of the stockholders called for the election of directors; provided, however, that if less than 21 written days' notice of the meeting is given to stockholders, such notice of nomination by a stockholder shall be delivered or mailed, in the manner prescribed above, to the secretary of the corporation not later than the close of the fifth day following the day on which notice of the meeting was mailed to stockholders.

(b) Each notice under subsection (a) shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, and (iii) the number of shares of stock of the corporation which are beneficially owned by each such nominee.

(c) The chairman of the meeting of stockholders shall determine whether or not a nomination was made in accordance with the procedures of this Section 2.3, and if he shall determine that it was not, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 2.4. Election of Directors. The initial board of directors shall be designated in the certificate of incorporation, or if not so designated, elected by the incorporator(s) at the first meeting thereof. Thereafter, directors shall be elected by the stockholders at their annual meeting or at any special meeting the notice of which specifies the election of directors as an item of business for such meeting.

Section 2.5. Vacancies; Reduction of the Board. Any vacancy in the board of directors, however occurring, including a vacancy resulting from the enlargement of the board of directors, may be filled by the stockholders or by the directors then in office or by a sole remaining director. In lieu of filling any such vacancy the stockholders or board of directors may reduce the number of directors, but not to a

number less than one (1). When one or more directors shall resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Section 2.6. Enlargement of the Board. The board of directors may be enlarged by the stockholders at any meeting or by vote of a majority of the directors then in office.

Section 2.7. Tenure and Resignation. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-laws, directors shall hold office until the next annual meeting of stockholders and thereafter until their successors are chosen and qualified. Any director may resign by delivering or mailing postage prepaid a written resignation to the corporation at its principal office or to the president, secretary or assistant secretary, if any. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 2.8. Removal. A director, whether elected by the stockholders or directors, may be removed from office with or without cause at any annual or special meeting of stockholders by vote of a majority of the stockholders entitled to vote in the election of such directors, or for cause by a vote of a majority of the directors then in office; provided, however, that a director may be removed for cause only after reasonable notice and opportunity to be heard before the body proposing to remove him.

Section 2.9. Meetings. Regular meetings of the board of directors may be held without call or notice at such times and such places within or without the State of Delaware as the board may, from time to time, determine, provided that notice of the first regular meeting following any such determination shall be given to directors absent from such determination. A regular meeting of the board of directors shall be held without notice immediately after, and at the same place as, the annual meeting of the stockholders or the special meeting of the stockholders held in place of such annual meeting, unless a quorum of the directors is not then present. Special meetings of the board of directors may be held at any time and at any place designated in the call of the meeting when called by the president, treasurer, or one or more directors. Members of the board of directors or any committee elected thereby may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at the meeting.

Section 2.10. Notice of Meeting. It shall be sufficient notice to a director to send notice by mail at least seventy-two (72) hours before the meeting addressed to such person at his usual or last known business or residence address or to give notice to such person in person or by telephone at least twenty-four (24) hours before the meeting. Notice shall be given by the secretary, or in his absence or unavailability, may be given by an assistant secretary, if any, or by the officer or directors calling the meeting. The requirement of notice to any director may be waived by a written waiver of notice, executed by such person before or after the meeting or meetings, and filed with the records of the meeting, or by attendance at the meeting without protesting prior thereto or at its commencement the lack of notice. A notice or waiver of notice of a directors' meeting need not specify the purposes of the meeting.

Section 2.11. Agenda. Any lawful business may be transacted at a meeting of the board of directors, notwithstanding the fact that the nature of the business may not have been specified in the notice or waiver of notice of the meeting.

Section 2.12. Quorum. At any meeting of the board of directors, a majority of the directors then in office shall constitute a quorum for the transaction of business. Any meeting may be adjourned by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

Section 2.13. Action at Meeting. Any motion adopted by vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, except where a different vote is required by law, by the Certificate of Incorporation or by these By-laws. The assent in writing of any director to any vote or action of the directors taken at any meeting, whether or not a quorum was present and whether or not the director had or waived notice of the meeting, shall have the same effect as if the director so assenting was present at such meeting and voted in favor of such vote or action.

Section 2.14. Action Without Meeting. Any action by the directors may be taken without a meeting if all of the directors consent to the action in writing and the consents are filed with the records of the directors' meetings. Such consent shall be treated for all purposes as a vote of the directors at a meeting.

Section 2.15. Committees. The board of directors may, by the affirmative vote of a majority of the directors then in office, appoint an executive committee or other committees consisting of one or more directors and may by vote delegate to any such committee some or all of their powers except those which by law, the Certificate of Incorporation or these By-laws they may not delegate. In the absence or disqualification of a member of a committee, the members of the committee present and not disqualified, whether or not they constitute a quorum, may by unanimous vote appoint another member of the board of directors to act at the meeting in place of the absent or disqualified member. Unless the board of directors shall otherwise provide, any such committee may make rules for the conduct of its business, but unless otherwise provided by the board of directors or such rules, its meetings shall be called, notice given or waived, its business conducted or its action taken as nearly as may be in the same manner as is provided in these By-laws with respect to meetings or for the conduct of business or the taking of actions by the board of directors. The board of directors shall have power at any time to fill vacancies in, change the membership of, or discharge any such committee at any time. The board of directors shall have power to rescind any action of any committee, but no such rescission shall have retroactive effect.

ARTICLE III.

Officers

Section 3.1. Enumeration. The officers shall consist of a president, a treasurer, a secretary and such other officers and agents (including one or more vice-presidents, assistant treasurers and assistant secretaries), as the board of directors may, in their discretion, determine.

Section 3.2. Election. The president, treasurer and secretary shall be elected annually by the directors at their first meeting following the annual meeting of the stockholders or any special meeting held in lieu of the annual meeting. Other officers may be chosen by the directors at such meeting or at any other meeting.

Section 3.3. Qualification. An officer may, but need not, be a director or stockholder. Any two or more offices may be held by the same person. Any officer may be required by the directors to give bond for the faithful performance of his duties to the corporation in such amount and with such sureties as the directors may determine. The premiums for such bonds may be paid by the corporation.

Section 3.4. Tenure. Except as otherwise provided by the Certificate of Incorporation or these By-laws, the term of office of each officer shall be for one year or until his successor is elected and qualified or until his earlier resignation or removal.

Section 3.5. Removal. Any officer may be removed from office, with or without cause, by the affirmative vote of a majority of the directors then in office; provided, however, that an officer may be removed for cause only after reasonable notice and opportunity to be heard by the board of directors prior to action thereon.

Section 3.6. Resignation. Any officer may resign by delivering or mailing postage prepaid a written resignation to the corporation at its principal office or to the president, secretary, or assistant secretary, if any, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some event.

Section 3.7. Vacancies. A vacancy in any office arising from any cause may be filled for the unexpired portion of the term by the board of directors.

Section 3.8. President. The president shall be the chief executive officer of the corporation. Except as otherwise voted by the board of directors, the president shall preside at all meetings of the stockholders and of the board of directors at which present. The president shall have such duties and powers as are commonly incident to the office and such duties and powers as the board of directors shall from time to time designate.

Section 3.9. Vice-President(s). The vice-president(s), if any, shall have such powers and perform such duties as the board of directors may from time to time determine.

Section 3.10. Treasurer and Assistant Treasurers. The treasurer, subject to the direction and under the supervision and control of the board of directors, shall have general charge of the financial affairs of the corporation. The treasurer shall have custody of all funds, securities and valuable papers of the corporation, except as the board of directors may otherwise provide. The treasurer shall keep or cause to be kept full and accurate records of account which shall be the property of the corporation, and which shall be always open to the inspection of each elected officer and director of the corporation. The treasurer shall deposit or cause to be deposited all funds of the corporation in such depository or depositories as may be authorized by the board of directors. The treasurer shall have the power to endorse for deposit or collection all notes, checks, drafts, and other negotiable instruments payable to the corporation. The treasurer shall perform such other duties as are incidental to the office, and such other duties as may be assigned by the board of directors.

Assistant treasurers, if any, shall have such powers and perform such duties as the board of directors may from time to time determine.

Section 3.11. Secretary and Assistant Secretaries. The secretary shall record, or cause to be recorded, all proceedings of the meetings of the stockholders and directors (including committees thereof) in the book of records of this corporation. The record books shall be open at reasonable times to the inspection of any stockholder, director, or officer. The secretary shall notify the stockholders and directors, when required by law or by these By-laws, of their respective meetings, and shall perform such other duties as the directors and stockholders may from time to time prescribe. The secretary shall have the custody and charge of the corporate seal, and shall affix the seal of the corporation to all instruments requiring such seal, and shall certify under the corporate seal the proceedings of the directors and of the stockholders, when required. In the absence of the secretary at any such meeting, a temporary secretary shall be chosen who shall record the proceedings of the meeting in the aforesaid books.

Assistant secretaries, if any, shall have such powers and perform such duties as the board of directors may from time to time designate.

Section 3.12. Other Powers and Duties. Subject to these By-laws and to such limitations as the board of directors may from time to time prescribe, the officers of the corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the board of directors.

ARTICLE IV.

Capital Stock

Section 4.1. Stock Certificates. Each stockholder shall be entitled to a certificate representing the number of shares of the capital stock of the corporation owned by such person in such form as shall, in conformity to law, be prescribed from time to time by the board of directors. Each certificate shall be signed by the president or vice-president and treasurer or assistant treasurer or such other officers designated by the board of directors from time to time as permitted by law, shall bear the seal of the corporation, and shall express on its face its number, date of issue, class, the number of shares for which, and the name of the person to whom, it is issued. The corporate seal and any or all of the signatures of corporation officers may be facsimile if the stock certificate is manually counter-signed by an authorized person on behalf of a transfer agent or registrar other than the corporation or its employee.

If an officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed on, a certificate shall have ceased to be such before the certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the time of its issue.

Section 4.2. Transfer of Shares. Title to a certificate of stock and to the shares represented thereby shall be transferred only on the books of the corporation by delivery to the corporation or its transfer agent of the certificate properly endorsed, or by delivery of the certificate accompanied by a written assignment of the same, or a properly executed written power of attorney to sell, assign or transfer the same or the shares represented thereby. Upon surrender of a certificate for the shares being transferred, a new certificate or certificates shall be issued according to the interests of the parties.

Section 4.3. Record Holders. Except as otherwise may be required by law, by the Certificate of Incorporation or by these By-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the corporation in accordance with the requirements of these By-laws.

It shall be the duty of each stockholder to notify the corporation of his post office address.

Section 4.4. Record Date. In order that the corporation may determine the stockholders entitled to receive notice of or to vote at any meeting of stockholders or any adjournments thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty days prior to any other action. In such case only stockholders of record on such record date shall be so entitled notwithstanding any transfer of stock on the books of the corporation after the record date.

If no record date is fixed: (i) the record date for determining stockholders entitled to receive notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed; and (iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 4.5. Transfer Agent and Registrar for Shares of Corporation. The board of directors may appoint a transfer agent and a registrar of the certificates of stock of the corporation. Any transfer agent so appointed shall maintain, among other records, a stockholders' ledger, setting forth the names and addresses of the holders of all issued shares of stock of the corporation, the number of shares held by each, the certificate numbers representing such shares, and the date of issue of the certificates representing such shares. Any registrar so appointed shall maintain, among other records, a share register, setting forth the total number of shares of each class of shares which the corporation is authorized to issue and the total number of shares actually issued. The stockholders' ledger and the share register are hereby identified as the stock transfer books of the corporation; but as between the stockholders' ledger and the share register, the names and addresses of stockholders, as they appear on the stockholders' ledger maintained by the transfer agent shall be the official list of stockholders of record of the corporation. The name and address of each stockholder of record, as they appear upon the stockholders' ledger, shall be conclusive evidence of who are the stockholders entitled to receive notice of the meetings of stockholders, to vote at such meetings, to examine a complete list of the stockholders entitled to vote at meetings, and to own, enjoy and exercise any other property or rights deriving from such shares against the corporation. Stockholders, but not the corporation, its directors, officers, agents or attorneys, shall be responsible for notifying the transfer agent, in writing, of any changes in their names or addresses from time to time, and failure to do so will relieve the corporation, its other stockholders, directors, officers, agents and attorneys, and its transfer agent and registrar, of liability for failure to direct notices or other documents, or pay over or transfer dividends or other property or rights, to a name or address other than the name and address appearing in the stockholders' ledger maintained by the transfer agent.

Section 4.6. Loss of Certificates. In case of the loss, destruction or mutilation of a certificate of stock, a replacement certificate may be issued in place thereof upon such terms as the board of directors may prescribe, including, in the discretion of the board of directors, a requirement of bond and indemnity to the corporation.

Section 4.7. Restrictions on Transfer. Every certificate for shares of stock which are subject to any restriction on transfer, whether pursuant to the Certificate of Incorporation, the By-laws or any agreement to which the corporation is a party, shall have the fact of the restriction noted conspicuously on the certificate and shall also set forth on the face or back either the full text of the restriction or a statement that the corporation will furnish a copy to the holder of such certificate upon written request and without charge.

Section 4.8. Multiple Classes of Stock. The amount and classes of the capital stock and the par value, if any, of the shares, shall be as fixed in the Certificate of Incorporation. At all times when there are two or more classes of stock, the several classes of stock shall conform to the description and the terms and have the respective preferences, voting powers, restrictions and qualifications set forth in the Certificate of Incorporation and these By-laws. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either (i) the full text of the preferences, voting powers, qualifications and special and relative rights of the shares of each class and series authorized to be issued, or (ii) a statement of the existence of such preferences, powers, qualifications and rights, and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

ARTICLE V.

Dividends

Section 5.1. Declaration of Dividends. Except as otherwise required by law or by the Certificate of Incorporation, the board of directors may, in its discretion, declare what, if any, dividends shall be paid from the surplus or from the net profits of the corporation for the current or preceding fiscal year, or as otherwise permitted by law. Dividends may be paid in cash, in property, in shares of the corporation's

stock, or in any combination thereof. Dividends shall be payable upon such dates as the board of directors may designate.

Section 5.2. Reserves. Before the payment of any dividend and before making any distribution of profits, the board of directors, from time to time and in its absolute discretion, shall have power to set aside out of the surplus or net profits of the corporation such sum or sums as the board of directors deems proper and sufficient as a reserve fund to meet contingencies or for such other purpose as the board of directors shall deem to be in the best interests of the corporation, and the board of directors may modify or abolish any such reserve.

ARTICLE VI

Powers of Officers to Contract

With the Corporation

Any and all of the directors and officers of the corporation, notwithstanding their official relations to it, may enter into and perform any contract or agreement of any nature between the corporation and themselves, or any and all of the individuals from time to time constituting the board of directors of the corporation, or any firm or corporation in which any such director may be interested, directly or indirectly, whether such individual, firm or corporation thus contracting with the corporation shall thereby derive personal or corporate profits or benefits or otherwise; provided, that (i) the material facts of such interest are disclosed or are known to the board of directors or committee thereof which authorizes such contract or agreement; (ii) if the material facts as to such person's relationship or interest are disclosed or are known to the stockholders entitled to vote thereon, and the contract is specifically approved in good faith by a vote of the stockholders; or (iii) the contract or agreement is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the stockholders. Any director of the corporation who is interested in any transaction as aforesaid may nevertheless be counted in determining the existence of a quorum at any meeting of the board of directors which shall authorize or ratify any such transaction. This Article shall not be construed to invalidate any contract or other transaction which would otherwise be valid under the common or statutory law applicable thereto.

ARTICLE VII

Indemnification

Section 7.1. Definitions. For purposes of this Article VII the following terms shall have the meanings indicated:

"Corporate Status" describes the status of a person who is or was a director, Officer, employee, agent, trustee or fiduciary of the corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the express written request of the corporation.

"Court" means the Court of Chancery of the State of Delaware, the court in which the Proceeding in respect of which indemnification is sought by a Covered Person shall have been brought or is pending, or another court having subject matter jurisdiction and personal jurisdiction over the parties.

"Covered Person" means a person who is a present or former director or Officer of the corporation and shall include such person's legal representatives, heirs, executors and administrators.

"Disinterested" describes any individual, whether or not that individual is a director, Officer, employee or agent of the corporation, who is not and was not and is not threatened to be made a party to

the Proceeding in respect of which indemnification, advancement of Expenses or other action is sought by a Covered Person.

"Expenses" shall include, without limitation, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating or being or preparing to be a witness in a Proceeding.

"Good Faith" shall mean a Covered Person having acted in good faith and in a manner such Covered Person reasonably believed to be in or not opposed to the best interests of the corporation or, in the case of an employee benefit plan, the best interests of the participants or beneficiaries of said plan, as the case may be, and, with respect to any Proceeding which is criminal in nature, having had no reasonable cause to believe such Covered Person's conduct was unlawful.

"Improper Personal Benefit" shall include, but not be limited to, the personal gain in fact by reason of a person's Corporate Status of a financial profit, monies or other advantage not also accruing to the benefit of the corporation or to the stockholders generally and which is unrelated to his usual compensation including, but not limited to, (i) in exchange for the exercise of influence over the corporation's affairs, (ii) as a result of the diversion of corporate opportunity, or (iii) pursuant to the use or communication of confidential or inside information for the purpose of generating a profit from trading in the corporation's securities. Notwithstanding the foregoing, "Improper Personal Benefit" shall not include any benefit, directly or indirectly, related to actions taken in order to evaluate, discourage, resist, prevent or negotiate any transaction with or proposal from any person or entity seeking control of, or a controlling interest in, the corporation.

"Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and may include law firms or members thereof that are regularly retained by the corporation but not by any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the standards of professional conduct then prevailing and applicable to such counsel, would have a conflict of interest in representing either the corporation or Covered Person in an action to determine the Covered Person's rights under this Article.

"Officer" means the president, vice presidents, treasurer, assistant treasurer(s), secretary, assistant secretary and such other executive officers as are appointed by the board of directors of the corporation and explicitly entitled to indemnification hereunder.

"Proceeding" includes any actual, threatened or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation (including any internal corporate investigation), administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, other than one initiated by the Covered Person, but including one initiated by a Covered Person for the purpose of enforcing such Covered Person's rights under this Article to the extent provided in Section 7.14 of this Article. "Proceeding" shall not include any counterclaim brought by any Covered Person other than one arising out of the same transaction or occurrence that is the subject matter of the underlying claim.

Section 7.2. Right to Indemnification in General.

(a) Covered Persons. The corporation may indemnify, and may advance Expenses, to each Covered Person who is, was or is threatened to be made a party or otherwise involved in any Proceeding, as provided in this Article and to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit.

The indemnification provisions in this Article shall be deemed to be a contract between the corporation and each Covered Person who serves in any Corporate Status at any time while these provisions as well as the relevant provisions of the Delaware General Corporation Law are in effect, and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any Proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a contract right may not be modified retroactively without the consent of such Covered Person.

(b) Employees and Agents. The corporation may, to the extent authorized from time to time by the board of directors, grant indemnification and the advancement of Expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of Expenses of Covered Persons.

Section 7.3. Proceedings Other Than Proceedings by or in the Right of the Corporation. Each Covered Person may be entitled to the rights of indemnification provided in this Section 7.3 if, by reason of such Covered Person's Corporate Status, such Covered Person is, was or is threatened to be made, a party to or is otherwise involved in any Proceeding, other than a Proceeding by or in the right of the corporation. Each Covered Person may be indemnified against Expenses, judgments, penalties, fines and amounts paid in settlements, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection with such Proceeding or any claim, issue or matter therein, if such Covered Person acted in Good Faith and such Covered Person has not been adjudged during the course of such proceeding to have derived an Improper Personal Benefit from the transaction or occurrence forming the basis of such Proceeding.

Section 7.4. Proceedings by or in the Right of the Corporation. Each Covered Person may be entitled to the rights of indemnification provided in this Section 7.4 if, by reason of such Covered Person's Corporate Status, such Covered Person is, or is threatened to be made, a party to or is otherwise involved in any Proceeding brought by or in the right of the corporation to procure a judgment in its favor. Such Covered Person may be indemnified against Expenses, judgments, penalties, and amounts paid in settlement, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection with such Proceeding if such Covered Person acted in Good Faith and such Covered Person has not been adjudged during the course of such proceeding to have derived an Improper Personal Benefit from the transaction or occurrence forming the basis of such Proceeding. Notwithstanding the foregoing, no such indemnification shall be made in respect of any claim, issue or matter in such Proceeding as to which such Covered Person shall have been adjudged to be liable to the corporation if applicable law prohibits such indemnification; provided, however, that, if applicable law so permits, indemnification shall nevertheless be made by the corporation in such event if and only to the extent that the Court which is considering the matter shall so determine.

Section 7.5. Indemnification of a Party Who is Wholly or Partly Successful. Notwithstanding any provision of this Article to the contrary, to the extent that a Covered Person is, by reason of such Covered Person's Corporate Status, a party to or is otherwise involved in and is successful, on the merits or otherwise, in any Proceeding, such Covered Person shall be indemnified to the maximum extent permitted by law, against all Expenses, judgments, penalties, fines, and amounts paid in settlement, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection therewith. If such Covered Person is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the corporation shall indemnify such Covered Person to the maximum extent permitted by law, against all Expenses, judgments, penalties, fines, and amounts paid in settlement, actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 7.5 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 7.6. Indemnification for Expenses of a Witness. Notwithstanding any provision of this Article to the contrary, to the extent that a Covered Person is, by reason of such Covered Person's Corporate Status, a witness in any Proceeding, such Covered Person shall be indemnified against all Expenses actually and reasonably incurred by such Covered Person or on such Covered Person's behalf in connection therewith.

Section 7.7. Advancement of Expenses. Notwithstanding any provision of this Article to the contrary, the corporation may advance all reasonable Expenses which, by reason of a Covered Person's Corporate Status, were incurred by or on behalf of such Covered Person in connection with any Proceeding, within thirty (30) days after the receipt by the corporation of a statement or statements from such Covered Person requesting such advance or advances, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by the Covered Person and shall include or be preceded or accompanied by an undertaking by or on behalf of the Covered Person to repay any Expenses if such Covered Person shall be adjudged to be not entitled to be indemnified against such Expenses. Any advance and undertaking to repay pursuant to this Section 7.7 may be unsecured interest-free, as the corporation sees fit. Advancement of Expenses pursuant to this Section 7.7 shall not require approval of the board of directors or the stockholders of the corporation, or of any other person or body. The secretary of the corporation shall promptly advise the Board in writing of the request for advancement of Expenses, of the amount and other details of the request and of the undertaking to make repayment provided pursuant to this Section 7.7.

Section 7.8. Notification and Defense of Claim. Promptly after receipt by a Covered Person of notice of the commencement of any Proceeding, such Covered Person shall, if a claim is to be made against the corporation under this Article, notify the corporation of the commencement of the Proceeding. The failure to notify the corporation will not relieve the corporation from any liability which it may have to such Covered Person otherwise than under this Article. With respect to any such Proceedings to which such Covered Person notifies the corporation:

(a) The corporation will be entitled to participate in the defense at its own expense.

(b) Except as otherwise provided below in this subparagraph (b), the corporation (jointly with any other indemnifying party similarly notified) will be entitled to assume the defense with counsel reasonably satisfactory to the Covered Person. After notice from the corporation to the Covered Person of its election to assume the defense of a suit, the corporation will not be liable to the Covered Person under this Article for any legal or other expenses subsequently incurred by the Covered Person in connection with the defense of the Proceeding other than reasonable costs of investigation or as otherwise provided below in this subparagraph (b). The Covered Person shall have the right to employ his own counsel in such Proceeding but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense shall be at the expense of the Covered Person except as provided in this paragraph. The fees and expenses of counsel shall be at the expense of the corporation if (i) the employment of counsel by the Covered Person has been authorized by the corporation, (ii) the Covered Person shall have concluded reasonably that there may be a conflict of interest between the corporation and the Covered Person in the conduct of the defense of such action and such conclusion is confirmed in writing by the corporation's outside counsel regularly employed by it in connection with corporate matters, or (iii) the corporation shall not in fact have employed counsel to assume the defense of such Proceeding. The corporation shall be entitled to participate in, but shall not be entitled to assume the defense of any Proceeding brought by or in the right of the corporation or as to which the Covered Person shall have made the conclusion provided for in (ii) above and such conclusion shall have been so confirmed by the corporation's said outside counsel.

(c) Notwithstanding any provision of this Article to the contrary, the corporation shall not be obligated to indemnify the Covered Person under this Article for any amounts paid in settlement of any Proceeding effected without its written consent. The corporation shall not settle any Proceeding or claim in any manner which would impose any penalty, limitation or disqualification of the Covered Person for

any purpose without such Covered Person's written consent. Neither the corporation nor the Covered Person will unreasonably withhold their consent to any proposed settlement.

(d) If it is determined that the Covered Person is entitled to indemnification other than as afforded under subparagraph (b) above, payment to the Covered Person of the additional amounts for which he is to be indemnified shall be made within ten (10) days after such determination.

Section 7.9. Procedures.

(a) Method of Determination. A determination (as provided for by this Article or if required by applicable law in the specific case) with respect to a Covered Person's entitlement to indemnification shall be made either (a) by the board of directors by a majority vote of a quorum consisting of Disinterested directors, or (b) in the event that a quorum of the board of directors consisting of Disinterested directors is not obtainable or, even if obtainable, such quorum of Disinterested directors so directs, by Independent Counsel in a written determination to the board of directors, a copy of which shall be delivered to the Covered Person seeking indemnification, or (c) by the vote of the holders of a majority of the corporation's capital stock outstanding at the time entitled to vote thereon.

(b) Initiating Request. A Covered Person who seeks indemnification under this Article shall submit a Request for Indemnification, including such documentation and information as is reasonably available to such Covered Person and is reasonably necessary to determine whether and to what extent such Covered Person is entitled to indemnification.

(c) Presumptions. In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall not presume that the Covered Person is or is not entitled to indemnification under this Article.

(d) Burden of Proof. Each Covered Person shall bear the burden of going forward and demonstrating sufficient facts to support his claim for entitlement to indemnification under this Article. That burden shall be deemed satisfied by the submission of an initial Request for Indemnification pursuant to Section 7.9(b) above.

(e) Effect of Other Proceedings. The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of guilty or of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Article) of itself adversely affect the right of a Covered Person to indemnification or create a presumption that a Covered Person did not act in Good Faith.

(f) Actions of Others. The knowledge, actions, or failure to act, of any director, officer, employee, agent, trustee or fiduciary of the enterprise whose daily activities the Covered Person was actually responsible for may be imputed to a Covered Person for purposes of determining the right to indemnification under this Article.

Section 7.10. Action by the Corporation. Any action, payment, advance determination other than a determination made pursuant to Section 7.9(a) above, authorization, requirement, grant of indemnification or other action taken by the corporation pursuant to this Article shall be effected exclusively through any Disinterested person so authorized by the board of directors of the corporation, including the president or any vice president of the corporation.

Section 7.11. Non-Exclusivity. The rights of indemnification and to receive advancement of Expenses as provided by this Article shall not be deemed exclusive of any other rights to which a Covered Person may at any time be entitled under applicable law, the Certificate of Incorporation, these By-Laws, any agreement, a vote of stockholders or a resolution of the board of directors, or otherwise. No amendment, alteration, rescission or replacement of this Article or any provision hereof shall be

effective as to an Covered Person with respect to any action taken or omitted by such Covered Person in such Covered Person's Corporate Status or with respect to any state of facts then or previously existing or any Proceeding previously or thereafter brought or threatened based in whole or to the extent based in part upon any such state of facts existing prior to such amendment, alteration, rescission or replacement.

Section 7.12. Insurance. The corporation may maintain, at its expense, an insurance policy or policies to protect itself and any Covered Person, officer, employee or agent of the corporation or another enterprise against liability arising out of this Article or otherwise, whether or not the corporation would have the power to indemnify any such person against such liability under the Delaware General Corporation Law.

Section 7.13. No Duplicative Payment. The corporation shall not be liable under this Article to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that a Covered Person has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 7.14. Expenses of Adjudication. In the event that any Covered Person seeks a judicial adjudication, or an award in arbitration, to enforce such Covered Person's rights under, or to recover damages for breach of, this Article, the Covered Person shall be entitled to recover from the corporation, and shall be indemnified by the corporation against, any and all expenses (of the types described in the definition of Expenses in Section 7.1 of this Article) actually and reasonably incurred by such Covered Person in seeking such adjudication or arbitration, but only if such Covered Person prevails therein. If it shall be determined in such adjudication or arbitration that the Covered Person is entitled to receive part but not all of the indemnification of expenses sought, the expenses incurred by such Covered Person in connection with such adjudication or arbitration shall be appropriately prorated.

Section 7.15. Severability. If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever:

(a) the validity, legality and enforceability of the remaining provisions of this Article (including without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and

(b) to the fullest extent possible, the provisions of this Article (including, without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE VIII.

Miscellaneous Provisions

Section 8.1. Certificate of Incorporation. All references in these By-laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the corporation, as amended and in effect from time to time.

Section 8.2. Fiscal Year. Except as from time to time otherwise provided by the board of directors, the fiscal year of the corporation shall end on the 31st of December of each year.

Section 8.3. Corporate Seal. The board of directors shall have the power to adopt and alter the seal of the corporation.

Section 8.4. Execution of Instruments. All deeds, leases, transfers, contracts, bonds, notes, and other obligations authorized to be executed by an officer of the corporation on its behalf shall be signed by the president or the treasurer except as the board of directors may generally or in particular cases otherwise determine.

Section 8.5. Voting of Securities. Unless the board of directors otherwise provides, the president or the treasurer may waive notice of and act on behalf of this corporation, or appoint another person or persons to act as proxy or attorney in fact for this corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by this corporation.

Section 8.6. Evidence of Authority. A certificate by the secretary or any assistant secretary as to any action taken by the stockholders, directors or any officer or representative of the corporation shall, as to all persons who rely thereon in good faith, be conclusive evidence of such action. The exercise of any power which by law, by the Certificate of Incorporation, or by these By-laws, or under any vote of the stockholders or the board of directors, may be exercised by an officer of the corporation only in the event of absence of another officer or any other contingency shall bind the corporation in favor of anyone relying thereon in good faith, whether or not such absence or contingency existed.

Section 8.7. Corporate Records. The original, or attested copies, of the Certificate of Incorporation, By-laws, records of all meetings of the incorporators and stockholders, and the stock transfer books (which shall contain the names of all stockholders and the record address and the amount of stock held by each) shall be kept in Delaware at the principal office of the corporation, or at an office of the corporation, or at an office of its transfer agent or of the secretary or of the assistant secretary, if any. Said copies and records need not all be kept in the same office. They shall be available at all reasonable times to inspection of any stockholder for any purpose but not to secure a list of stockholders for the purpose of selling said list or copies thereof or for using the same for a purpose other than in the interest of the applicant, as a stockholder, relative to the affairs of the corporation.

Section 8.8. Charitable Contributions. The board of directors from time to time may authorize contributions to be made by the corporation in such amounts as it may determine to be reasonable to corporations, trusts, funds or foundations organized and operated exclusively for charitable, scientific or educational purposes, no part of the net earning of which inures to the private benefit of any stockholder or individual.

ARTICLE IX.

Amendments

Section 9.1. Amendment by Stockholders. Prior to the issuance of stock, these By-laws may be amended, altered or repealed by the incorporator(s) by majority vote. After stock has been issued, these By-laws may be amended altered or repealed by the stockholders at any annual or special meeting by vote or a majority of all shares outstanding and entitled to vote, except that where the effect of the amendment would be to reduce any voting requirement otherwise required by law, the Certificate of Incorporation or these By-laws, such amendment shall require the vote that would have been required by such other provision. Notice and a copy of any proposal to amend these By-laws must be included in the notice of meeting of stockholders at which action is taken upon such amendment.

Section 9.2. Amendment by Board of Directors. These By-laws may be amended or altered by the board of directors at a meeting duly called for the purpose by majority vote of the directors then in office, except that directors shall not amend the By-laws in a manner which:

- (a) changes the stockholder voting requirements for any action;

(b) alters or abolishes any preferential right or right of redemption applicable to a class or series of stock with shares already outstanding;

(c) alters the provisions of Article LX hereof; or

(d) permits the board of directors to take any action which under law, the Certificate of Incorporation, or these By-laws is required to be taken by the stockholders.

Any amendment of these By-laws by the board of directors may be altered or repealed by the stockholders at any annual or special meeting of stockholders.

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EXHIBIT 2

Secretary of State
Corporations Section
James K. Polk Building, Suite 1800
Nashville, Tennessee 37243-0306

DATE: 07/26/00
REQUEST NUMBER: 3960-0884
TELEPHONE CONTACT: (615) 741-2286
FILE DATE/TIME: 07/25/00 1436
EFFECTIVE DATE/TIME: 07/25/00 1436
CONTROL NUMBER: 0393000

TO:
CAPITAL FILING SERVICE INC.
NO. 333
7051 HWY 70 SOUTH
NASHVILLE, TN 37221

RE:
ZONE TELECOM, INC.
APPLICATION FOR CERTIFICATE OF AUTHORITY -
FOR PROFIT

WELCOME TO THE STATE OF TENNESSEE. THE ATTACHED CERTIFICATE OF
AUTHORITY HAS BEEN FILED WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

A CORPORATION ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE
ON OR BEFORE THE FIRST DATE OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE
CORPORATION'S FISCAL YEAR. PLEASE PROVIDE THIS OFFICE WITH WRITTEN
NOTIFICATION OF THE CORPORATION'S FISCAL YEAR. THIS OFFICE WILL MAIL THE
REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE CORPORATION AT THE
ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS
OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED
AGENT AND OFFICE WILL SUBJECT THE CORPORATION TO ADMINISTRATIVE REVOCATION
OF ITS CERTIFICATE OF AUTHORITY.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR
FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR CERTIFICATE OF AUTHORITY -
FOR PROFIT

ON DATE: 07/26/00

FROM:
C T CORPORATION SYSTEM (BOSTON, MA.)
2 OLIVER STREET

BOSTON, MA 02109-0000

	FEES	
RECEIVED:	\$500.00	\$0.00
TOTAL PAYMENT RECEIVED:	\$500.00	

RECEIPT NUMBER: 00002716863
ACCOUNT NUMBER: 00000012



Riley C. Darnell

RILEY C. DARNELL
SECRETARY OF STATE

State of Tennessee



Department of State
Corporations Section
18th Floor, James K. Polk Building
Nashville, TN 37243-0306

APPLICATION FOR
CERTIFICATE OF AUTHORITY
(FOR PROFIT)

For Office Use Only

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-103 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is Zone Telecom, Inc.

*If different, the name under which the certificate of authority is to be obtained is _____

[NOTES: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign corporation for profit if its name does not comply with the requirements of Section 48-14-101 of the Tennessee Business Corporation Act. *If obtaining a certificate of authority under a different corporate name, an application for registration of an assumed corporate name must be filed pursuant to Section 48-14-101(d) with an additional \$20.00 fee.]

2. The state or country under whose law it is incorporated is Delaware

3. The date of its incorporation is June 13, 2000 (must be month, day, and year), and the period of duration, if other than perpetual, is _____

4. The complete street address (including zip code) of its principal office is

279 Harvard St., #21, Cambridge, MA

02139

Street

City

State/Country

Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee and the name of its registered agent is

530 Gav Street,

Knoxville

Knox

37902

Street

City

County

Zip Code

C T CORPORATION SYSTEM

Registered Agent

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.) see attached rider

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)

see attached rider

8. If the corporation commenced doing business in Tennessee prior to the approval of this application, the date of commencement (month, day and year) _____

9. The corporation is a corporation for profit.

10. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is

_____, _____ (date), _____ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than two (2) months prior to the date the application is filed in this state.]

7/20/00

Signature Date

Vice President

Signer's Capacity

Zone Telecom, Inc.

Name of Corporation

Lawton Bloom

Signature

Lawton Bloom

Name (typed or printed)

3 13 15 17 10 13 15
Zone Telecom, Inc.
Officers and Director

Officers:

Derrick Bulawa

President

c/o e-Kong Group Limited
Suite 2101-3, K. Wah Centre
191 Java Road
North Point, Hong Kong

Jeffrey Cheng

Treasurer

c/o e-Kong Group Limited
Suite 2101-3, K. Wah Centre
191 Java Road
North Point, Hong Kong

Lawton Bloom

Vice President, Secretary

279 Harvard Ave., #21
Cambridge, MA 02139

Steven D. Pohl

Assistant Secretary

c/o Brown Rudnick Freed & Gesmer
One Financial Center
Boston, MA 02111

Director:

Derrick Bulawa

Director

c/o e-Kong Group Limited
Suite 2101-3, K. Wah Centre
191 Java Road
North Point, Hong Kong

State of Delaware
Office of the Secretary of State

PAGE 1

00 JUL 25 PM 2:32

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ZONE TELECOM, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTIETH DAY OF JULY, A.D. 2000.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.



Edward J. Freel

Edward J. Freel, Secretary of State

3242585 8300

001367973

AUTHENTICATION:

0571193

DATE:

07-20-00

EXHIBIT 3

e-Kong Group Limited
Corporate Structure

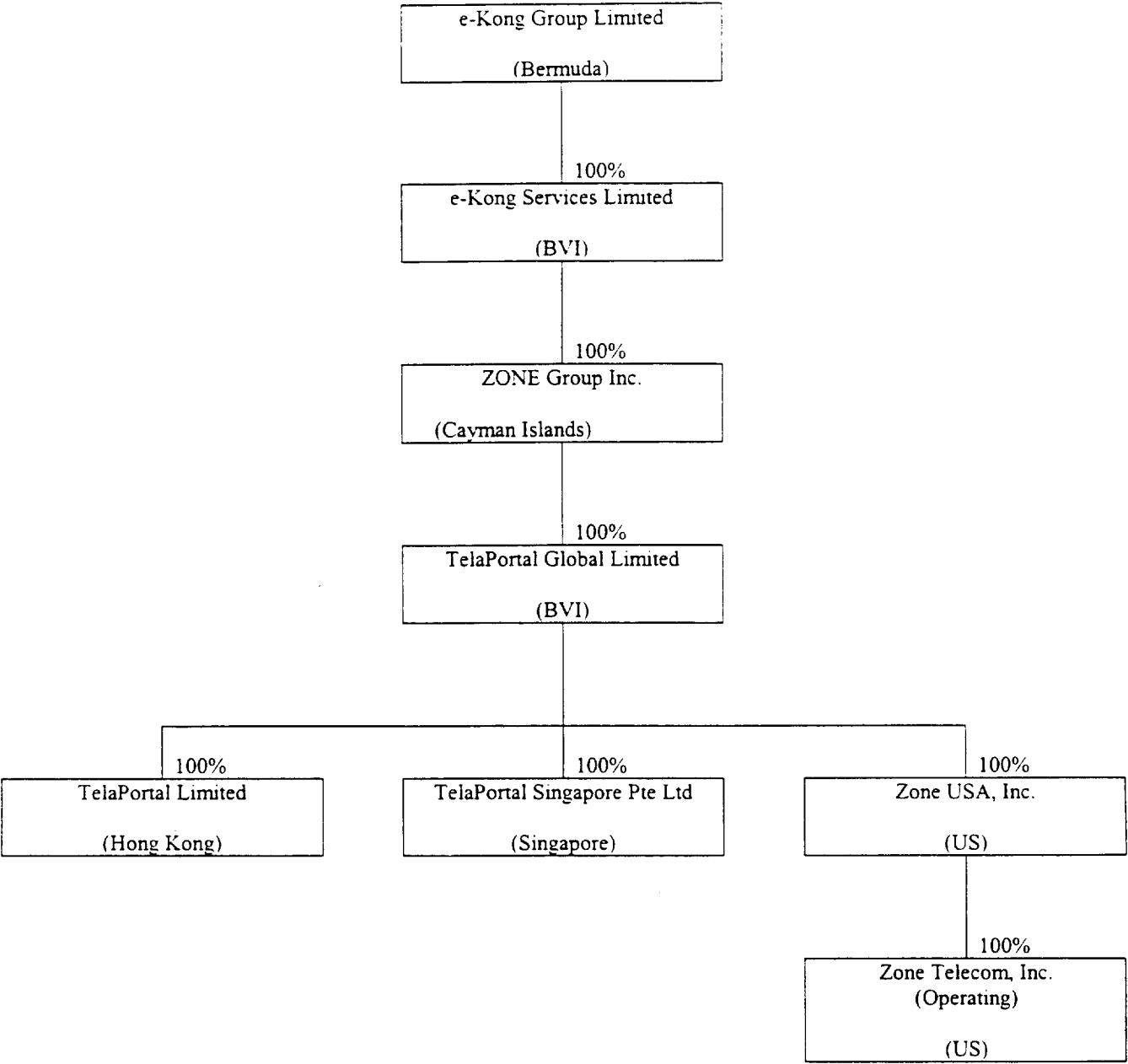


EXHIBIT 4

Zone Telecom, Inc.

Officers and Directors

NAME	TITLE	DIRECTOR
Derrick Bulawa Zone Telecom, Inc. Suite 2101-3 K. Wah Centre 191 Java Road North Point, Hong Kong	President and CEO	Yes*
Lawton Bloom Zone Telecom, Inc. 279 Harvard Street, No. 21 Cambridge, MA 02139	Vice President and Secretary	No
Steven D. Pohl c/o Brown Rudnick Freed & Gesmer One Financial Center Boston, MA 02111	Assistant Secretary	No
Jeffrey Cheng Zone Telecom, Inc. Suite 2101-3 K. Wah Centre 191 Java Road North Point, Hong Kong	Treasurer	No

* Mr. Bulawa is the sole director.

EXHIBIT 5

e-Kong Group Limited

Annual Report

1999

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Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Richard John Siemens (*Chairman*)
Mr. Ong Soon Kiat
Mr. Derrick Francis Bulawa
Mr. Lim Shyang Guey

Non-executive

Mr. Mokhzani Bin Mahathir
Mr. Peng Chian Chua

Independent non-executive

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

AUDIT COMMITTEE

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

COMPANY SECRETARY

Ms. Wang Poey Foon, Angela

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Suite 2101-3
K. Wah Centre
191 Java Road
North Point
Hong Kong

SOLICITORS

Messrs. Angela Wang & Co.
Messrs. Conyers, Dill & Pearman

AUDITORS

Moore Rowland

HONG KONG BRANCH REGISTRARS

Secretaries Limited

PRINCIPAL BANKERS

Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of e-Kong Group Limited (the "Company") will be held at Coral Room 2, 3rd Floor, Furama Hotel, 1 Connaught Road, Central, Hong Kong, on Thursday, 1 June 2000 at 2:30 p.m. for the following purposes:

1. to receive and consider the audited financial statements and the reports of directors and auditors for the year ended 31 December 1999;
2. to re-elect retiring directors and to fix their remuneration;
3. to re-appoint Messrs. Moores Rowland as auditors of the Company and to authorise the board of directors to fix their remuneration;
4. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

Notice of Annual General Meeting (Cont d)

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held."

5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

"THAT

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, (iii) the exercise of redemption or conversion rights attaching to the non-cumulative convertible redeemable preference shares of HK\$1.00 each in the capital of the Company or (iv) an issue of shares as scrip dividend pursuant to the Bye-laws of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

Notice of Annual General Meeting (Cont d)

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A member may appoint a proxy in respect of part only of his holding of shares. A proxy need not be a member of the Company.
2. In case of joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, whether in person or by proxy, that one of such persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy completed in accordance with the instructions set out herein, together with a power of attorney, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Hong Kong Branch Registrars of the Company, Secretaries Limited, of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting. The completion and depositing of the form of proxy will not preclude the member from attending the meeting and voting in person, if he/she so wishes. In the event that a member attends the meeting, his form of proxy will be deemed to have been revoked.
4. An explanatory statement containing further details regarding Resolutions 4 to 6 above will be sent to shareholders.
5. The register of members of the Company will be closed from 26 May 2000 to 1 June 2000, both days inclusive, during which period no transfer of shares will be effected.

In order to determine entitlement to attend and vote at the annual general meeting, all transfer of shares accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Registrars, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration by not later than 4:00 p.m. on 25 May 2000.

Chairman's Statement

It is my pleasure to deliver my first report to you. I assumed the position of Chairman of the Board in January 2000, and have since spent substantial amount of my time with other board members in formulating the Group's direction and strategy for future expansion. Our challenge was to transform the Group into a more diversified enterprise with an emphasis on Internet-related businesses.

The Group has been through a period of transition in 1999. During the year, its existing business continued to suffer from sluggish market conditions and adverse economic environment in Asia. The Group implemented a series of proactive measures with an aim to reallocate its resources and to enable the management to focus more on higher growth Internet-related business. Accordingly, the Group has disposed of its interest in most of its non-performing investments. The disposal and provision resulted in a loss of HK\$65 million, which accounted for most of the loss recorded in 1999.

Turnover of the Group had been affected by a decline in sales of one of our subsidiaries, Colorland Animation Productions Limited, an animation production house in Shenzhen. The production house's profitability had been put under the pressure of accelerated competition and increasingly challenging market environment.

In the past few months, substantial management resources have been placed in creating or acquiring industry convergent service portals, establishing partnerships with companies targeting the Asian Internet market, and making strategic investments in technologies, contents or service providers that can complement the Group's business.

Our mission in the Internet market is to develop a series of clearly branded, scalable and globally portable e-commerce and service portals offering a single point-of-presence for products and services. We aim to remove market barriers of traditional business by creating a business-to-business (B2B) and mass market e-commerce platform on the Internet. Through us, on-line customers can have immediate access to many offerings across a particular sector and they can pick and mix products and services to suit their needs.

We have completed a number of investments between December 1999 and March 2000. These investments were of strategic significance for the Group's continued growth and enhancement of shareholders' value.

The Group has successfully launched a unique service portal, ZONE1511 in March 2000, which is scalable and portable. ZONE1511 offers its users a wide range of local and international IDD carriers at a single source, and enabling the users to select the most competitive prices for their IDD calls.

Chairman's Statement (Cont'd)

The Group's service portals do not rely purely on creative concepts, they are supported by practical business models, feasible real-world operations, existing market demands and real revenue stream. We expect these service portals will bring in substantial revenue for the year 2000.

In 2000, we will launch a number of new service portals targeting different industries, including the insurance and travel service.

In less than six months, the Group's new management has successfully developed a solid business framework, and has established the Group as a prominent Hong Kong-based Internet company with an Asian focus.

In the world of Internet, it is the people that counts for the success of one's business. The management has built up, within a relatively short period of time, a pool of multi-national talents with proven experience and in-depth knowledge in the Internet and information technology industries. The team of experts has become the major driving force behind the Group's rapid expansion and achievements.

We will capitalize on our strengthened cash position (no debt-gearing) and talented management team to enlarge our market share and scale of operations, both through organic expansion and equity acquisition.

Our focus on developing a range of service portals with mass appeal, our partnership with other Internet and technology companies, and our strategic investment in technology, contents and service providers, form an inter-related and balanced business portfolio enabling the Group to benefit from stable recurrent income from a large definable revenue stream, and to leverage on its strategic investment for substantial capital gain. I am, therefore, optimistic about the future prospects of the Group.

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 1999.

CHANGE OF NAME

Pursuant to a Special Resolution passed on 10 December 1999 and the approval of the Registrar of Companies of Bermuda on the even date, the name of the Company was changed from Goldtron Holdings Limited to e-Kong Group Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 11 to the financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to operating loss by principal activities and geographical locations for the year ended 31 December 1999 is as follows:

By activity:

	Turnover HK\$'000	Contribution to operating loss HK\$'000
Sales of animated films	44,210	6,537
Telecommunication services	1,035	(985)
	<u>45,245</u>	<u>5,552</u>
Add: Interest and investments income		1,493
Less: Other operating expenses		<u>(82,215)</u>
Loss before taxation		<u>(75,170)</u>

Report of the Directors (Cont'd)

SEGMENTAL INFORMATION (Cont'd)

By geographical area:

	Turnover HK\$'000	Contribution to operating loss HK\$'000
Hong Kong	1,035	(985)
North/South America	759	131
Europe	31,094	4,576
Australia	12,357	1,830
	<u>45,245</u>	<u>5,552</u>
Add: Interest and investments income		1,493
Less: Other operating expenses		<u>(82,215)</u>
Loss before taxation		<u>(75,170)</u>

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 1999 are set out in the Consolidated Income Statement on page 20.

The directors do not recommend the payment of dividends for the year ended 31 December 1999 (1998: Nil).

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 51 and 52.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 69% (1998: 48%) and 98% (1998: 95%) of the Group's total reported revenue were attributable to the largest customer and five largest customers respectively. At no time during the year have the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest customers.

The percentage of the Group's total expenditure on purchases of goods and services attributable to the Group's five largest suppliers was less than 5% during the year.

Report of the Directors (Cont'd)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group are set out in note 10 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 21 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Richard John Siemens (Chairman)	(Appointed on 24 January 2000)
Mr. Ong Soon Kiat	
Mr. Derrick Francis Bulawa	(Appointed on 22 October 1999)
Mr. Lim Shyang Guey	(Appointed on 1 October 1999)
Mr. Tan Siak Kwang, Frankie	(resigned on 15 June 1999)

Non-executive directors:

Mr. Mokhzani Bin Mahathir	
Mr. Peng Chian Chua	
Dato Jaffar Mohd Ali	(resigned on 30 August 1999)

Independent non-executive directors:

Mr. Ngan Chor Man
Mr. Fung Che Kwong, Peter

In accordance with the Bye-laws of the Company, Mr Ong Soon Kiat, Mr. Derrick Francis Bulawa and Mr. Lim Shyang Guey shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARES

As at 31 December 1999, the directors had the following interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code")) as recorded in the register maintained pursuant to section 29 of the SDI Ordinance:

Name of directors	Number of shares beneficially held		Number of share options
	Personal interest	Corporate interest	
Ong Soon Kiat	5,000,000	—	9,168,988 (note 1)
Derrick Francis Bulawa	—	—	28,961,235 (note 2)
Lim Shyang Guey	—	—	4,500,000 (note 3)

Notes:

1. 9,168,988 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share over the period ending 24 October 2009.
2. 28,961,235 share options have been granted under the Employee Share Option Scheme of the Company during the year, in which 23,961,235 share options are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009; in which 4,750,000 share options are exercisable at the exercise price of HK\$0.49 per share for the period from 16 November 2000 to 24 October 2009, and in which 250,000 share options are exercisable at the exercise price of HK\$0.60 per share for the period from 23 December 2000 to 24 October 2009.
3. 4,500,000 share options have been granted under the Employee Share Option Scheme of the Company which are exercisable at the exercise price of HK\$0.42 per share for the period from 25 October 2000 to 24 October 2009.

Apart from the above, no other contracts of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme. Details of share options granted to or exercised by the directors during the year and their outstanding options at 31 December 1999 are shown above. Details of the share option scheme of the Company are set out in note 20 to the financial statements.

Report of the Directors (Cont'd)

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than normal statutory compensation.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 31 December 1999, the Company was notified that the following shareholders had an interest of 10% or more of the issued share capital of the Company:

Name	Ordinary shares held	Percentage of total issued shares capital
Goldtron Limited	128,906,172	11.12%

SHARE CAPITAL

Details of movements in the Company's share capital during the year and the purpose of the share issues are set out in note 19 to the financial statements.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 11 to the financial statements.

LIQUIDITY

Working capital of the Group increased from HK\$6,128,000 to HK\$101,406,000 during the year. The increase primarily represents an increase in cash and bank deposits as a result of issuance and placement of new ordinary shares during the year. Cash and bank deposits as at 31 December 1999 were HK\$99,875,000.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loans, overdrafts and other borrowings as at 31 December 1999. There was no interest capitalised by the Group during the year.

Report of the Directors (Cont'd)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

RETIREMENT BENEFITS SCHEME

Details of the Retirement Benefits Scheme are set out in note 6 to the financial statements.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT EXECUTIVES

Brief biographical details of the directors and senior management executives of the Company are set out on pages 16 to 18 under Directors and Senior Management Profile of this Annual Report.

REMUNERATION POLICIES AND EMPLOYEE RELATIONS

As at 31 December 1999, the Group employed approximately 320 full-time employees. All full-time salaried employees except for contract employees are being paid on a monthly basis plus other staff benefits.

Neither the Company nor any of its subsidiaries has established a labour union and is not subject to any collective agreements. The Group has maintained good relationships with its employees and has not experienced any labour disputes. None of the Group's employees is represented by a labour union.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, save and except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year.

AUDIT COMMITTEE

Pursuant to the Listing Rules of the Stock Exchange, an audit committee, comprising two independent non-executive directors, namely Mr. Ngan Chor Man and Mr. Fung Che Kwong, Peter, was established in September 1999.

Report of the Directors (Cont'd)

AUDIT COMMITTEE (Cont'd)

By reference to "A guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company on the same date. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

YEAR 2000 COMPLIANCE

The Group has stated its definition and approach to Year 2000 problem, and reported the status in our 1998 annual report and 1999 interim report.

No reports on Year 2000-induced incidents have been received within the Group during the rollover to Year 2000 or the leap year date of 29 February 2000. The Company and its subsidiaries passed the rollover smoothly without need to activate any contingency procedures.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda although there are no restrictions against such rights under the laws in Bermuda.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Moores Rowland, *Chartered Accountants, Certified Public Accountants*.

On behalf of the Board

Richard John Siemens
Chairman

Hong Kong, 19 April 2000

Directors and Senior Management Profile

Brief biographical details in respect of directors and senior management:

DIRECTORS

Mr. Richard John Siemens, 55, Chairman, joined the Group on 24 January 2000. Mr. Siemens is Chairman and a founding member of Distacom Communications Limited. He has been involved in the telecommunications industry for 26 years. Born and raised in Canada, Mr. Siemens was trained as a Chartered Accountant and came to Hong Kong in 1979. In 1984, he was involved in the establishment of Hutchison Telephone Company Limited with Hutchison Whampoa Limited ("Hutchison") and Motorola. Mr. Siemens, as Group Managing Director of Hutchison Telecommunications Limited, was also involved in the establishment of other well-known companies including AsiaSat, STAR TV and Metro Radio and Hutchison's move into the European wireless business with "Orange", as well as Hutchison's European paging strategy.

Mr. Ong Soon Kiat, 51, was firstly appointed as Chairman and Executive Director of the Group in July 1994. He was an executive director in 1999 and stepped down as Chairman of the Group in January 2000. Mr. Ong has extensive business experience in South East Asia and the People's Republic of China ("PRC").

Mr. Derrick Francis Bulawa, 36, joined the Group in September 1999 as Chief Executive Officer and was appointed on 22 October 1999 as executive director. Mr. Bulawa has 15 years of Internet and communications experience in the United States and Asia, with 10 years in Hong Kong. He is responsible for strategic development, as well as the overall executive management of the Group. Before joining the Group, he was one of the early members of Mr. Richard Li's HutchVision team that launched and founded STAR TV, serving as Vice President of Satellite & Technical Operations from 1991. He was promoted to General Manager after News Corporation bought a 63 per cent stake. Mr. Bulawa was then appointed Senior Technical Advisor of the Pacific Century Group, following the sale of the remaining 37 per cent of STAR TV to News Corporation. More recently, Mr. Bulawa was Chief Operating Officer of UNIFI Communications, an Internet-focused venture backed by Singapore Telecom which ranked Number 20 on the 'INC 500' list of fastest growing US-based companies in 1997. Prior to working for STAR TV, he spent six years working for GTE SpaceNet and Contel ASC in the Asian satellite, data and telecommunications sectors. He has a Bachelor of Science degree in Electronic Engineering Technology from the DeVry Institute of Technology in the United States.

Mr. Lim Shyang Guey, 41, was appointed as executive director and Vice-President Corporate Development on 1 October 1999. Mr. Lim is responsible for executing the Group's corporate strategy and looking after major shareholder issues. He has more than 12 years of experience in telecommunications and information technology in various countries including New Zealand, Russia, Malaysia and Singapore. Before joining

Directors and Senior Management Profile (Cont'd)

the Group, he was General Manager of Goldtron Electronics Pte Ltd in Singapore in charge of developing, manufacturing and marketing the company's proprietary telecommunications products, including pagers, GSM cellular phones and DECT cordless phones. Previously, Mr. Lim was Project Director of Goldtron Network Services Pte Ltd, also in Singapore, responsible for managing its telecommunications joint-venture operations in Russia, which provided local telephone, GSM cellular and paging services. Mr. Lim joined Goldtron Network Services Pte Ltd from Telecom New Zealand where he led projects relating to microwave and fibre optics transmission, and broadband cable TV. He has a Bachelor of Engineering and a Master of Engineering degree from the University of Auckland in New Zealand.

Mr. Mokhzani Bin Mahathir, 39, was appointed as non-executive director of the Group in 1999. Mr. Mahathir is the executive chairman of Tongkah Holdings Berhad, a publicly listed company in Malaysia and since 1993, a non-executive director of Goldtron Limited.

Mr. Peng Chian Chua, 55, was appointed as executive director in July 1994 and became a non-executive director of the Group in 1999. Mr. Peng has more than 20 years' working experience in manufacturing with various multinational companies.

Mr. Fung Che Kwong, Peter, 50, was appointed as an independent non-executive director of the Company since 1994. He is a Hong Kong based businessman with almost 20 years' experience in the textile industry.

Mr. Ngan Chor Man, 33, was appointed as an independent non-executive director of the Company since 1997. He is a Hong Kong based businessman with 6 years experience in the information technology and in PRC.

SENIOR MANAGEMENT

Mr. Kim Moon-Tae Grant, 26, joined the Group as Vice-President Business Development in September 1999. Mr. Kim has extensive experience in investment banking, telecommunications and the Internet in both the United States and Asia. He directs the strategy of new businesses and investments for the Group. His previous roles have included Vice President of Operations of UNIFI Communications ("UNIFI") where he managed the company's core Telecommunications, Network Operations, Systems Engineering, Service Fulfilment and Project Management groups. Prior to this, he was Director of Telecommunications and Business Development, where he pioneered and expanded the global data and switching businesses, working closely with some of the world's premier telecommunications carriers and Internet Service Providers. Before UNIFI, Mr. Kim worked with Pacific Century Group, Continental Development Corporation, and Singapore Telecom in various senior management and Mergers & Acquisitions advisory positions. Mr. Kim studied at the Wharton School, Harvard University and Oxford University.

Directors and Senior Management Profile (Cont'd)

Mr. Robbin Wells, 43, joined the Company in October 1999 as Vice-President Technology. Mr. Wells has more than 22 years of technology experience, having extensive experience developing IP networks across North America, Europe and Asia. He was previously Head of Technology for UNIFI Communications, a first-generation IP messaging company, where he designed and expanded its global network to more than 1000 platforms spanning 15 countries. He also served as Senior Technical Advisor to a R&D team of 120 developers focusing on IP and Internet software. Prior to UNIFI, Mr. Wells worked for Prime Computer as Principal Engineer in the Small Systems Group, one of the first companies to market products using Object Oriented Technology. During the 70's and 80's, he was Chief Engineer for W.F. Wood, a pioneer in the use of automated manufacturing technologies.

Ms. Leung Kit-Mee Judy, 36, joined the Group as Vice-President Marketing in January 2000. Ms. Leung has a wealth of experience in the telecommunications industry in Hong Kong especially as it relates to start-up operations. She is responsible for the marketing activities of the Group. Prior to joining the Group, Ms. Leung was one of the founding employees at New T&T, a Hong Kong-based telecommunications company. Throughout her tenure there, she held increasing levels of responsibility all in the marketing area. Most recently she was the Senior Manager of Marketing Promotions where she was responsible for devising promotion strategies, and developing and implementing comprehensive advertising, publicity and promotional programmes. Before New T&T, she was the Public Relations Manager at Hongkong Telecom. Ms. Leung is a graduate of the University of Aston in Birmingham, England with a Masters Degree in Business Administration.

Mr. Cheng Man-For Jeffrey, 35, joined the Company as Chief Financial Officer in October 1999. Mr. Cheng has more than 10 years finance and accountancy experience in PRC, Taiwan and Hong Kong. He is responsible for overall financial management and company secretarial duties of the Group. He was previously Director of Finance at Fax International HK Ltd. Mr. Cheng began his career with KPMG Peat Marwick before joining The Stock Exchange of Hong Kong Limited. Mr. Cheng is a fellow member of the Association of Chartered Certified Accountants (ACCA) and an associate member of the Hong Kong Institute of Company Secretaries (HKICS).

Auditors' Report

To the members

e-Kong Group Limited

(formerly known as Goldtron Holdings Limited)

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 50 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Moores Rowland

Chartered Accountants

Certified Public Accountants

Hong Kong, 19 April 2000

Consolidated Income Statement

For the year ended 31 December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Turnover	3	45,245	54,334
Cost of sales		(23,104)	(20,833)
Gross profit		22,141	33,501
Other revenue	3	1,493	893
Distribution and selling expenses		(480)	(94)
Administrative expenses		(25,283)	(23,840)
Other operating expenses		(8,062)	(5,048)
(Loss)/Profit from operations		(10,191)	5,412
Loss on disposal of subsidiaries		(33,673)	—
Loss on disposal of a jointly controlled entity		(11,284)	—
Loss on associates written off		(4,590)	—
Provision for diminution in value of long-term investments		(15,432)	—
Provision for diminution in value of associates		—	(43,586)
Provision for long-term receivable		—	(17,149)
Loss before taxation	4	(75,170)	(55,323)
Taxation	7	(739)	(1,763)
Loss from ordinary activities after taxation		(75,909)	(57,086)
Minority interests		(2,499)	(6,469)
Net loss attributable to shareholders	8 & 21	<u>(78,408)</u>	<u>(63,555)</u>
Loss per share			
Basic	9	<u>(11.5 cents)</u>	<u>(14.3 cents)</u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 December 1999

	<i>Note</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Exchange reserve released on associates written off	21	36,250	—
Other capital reserve released on associates written off	21	<u>(31,660)</u>	<u>—</u>
Net gains not recognised in the consolidated income statement		4,590	—
Net loss for the year	21	<u>(78,408)</u>	<u>(63,555)</u>
Total recognised losses		(73,818)	(63,555)
Goodwill eliminated directly against reserves	21	<u>(62,761)</u>	<u>—</u>
		<u>(136,579)</u>	<u>(63,555)</u>

Consolidated Balance Sheet

As at 31 December 1999

		1999 HK\$'000	1998 HK\$'000
ASSETS	Note		
Non-current assets			
Property, plant and equipment	10	10,469	11,380
Intangible assets	12	781	—
Goodwill	13	—	33,673
Interest in a jointly controlled entity	14	—	12,484
Long-term investments	15	4,267	12,642
Investment securities	16	778	—
		<u>16,295</u>	<u>70,179</u>
Current assets			
Inventories	17	595	1,074
Trade receivables		6,888	5,343
Deposits paid		5,643	268
Prepayments and other receivables		2,751	4,341
Due from related companies		—	824
Cash and cash equivalents		99,875	3,556
		<u>115,752</u>	<u>15,406</u>
Current liabilities			
Trade payables		2,342	406
Receipts in advance		6,305	2,723
Accrued charges and other payables		5,591	5,261
Due to a shareholder	18	19	199
Taxation		89	689
		<u>14,346</u>	<u>9,278</u>
Net current assets		<u>101,406</u>	<u>6,128</u>
Total assets less current liabilities		<u>117,701</u>	<u>76,307</u>
Minority interests		<u>(12,441)</u>	<u>(10,739)</u>
NET ASSETS		<u><u>105,260</u></u>	<u><u>65,568</u></u>
CAPITAL AND RESERVES			
Issued capital	19	194,160	181,340
Reserves	21	(88,900)	(115,772)
		<u><u>105,260</u></u>	<u><u>65,568</u></u>

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Balance Sheet

As at 31 December 1999

ASSETS	Note	1999 HK\$'000	1998 HK\$'000
Non-current assets			
Property, plant and equipment	10	389	476
Interests in subsidiaries	11	78,117	77,145
Investment securities	16	778	—
		<u>79,284</u>	<u>77,621</u>
Current assets			
Deposits paid		1,515	219
Prepayments and other receivables		887	3,504
Due from related companies		—	824
Cash and cash equivalents		94,016	773
		<u>96,418</u>	<u>5,320</u>
Current liabilities			
Accrued charges and other payables		1,135	2,629
Due to a shareholder	18	19	199
Due to subsidiaries		5,470	16,317
		<u>6,624</u>	<u>19,145</u>
Net current assets/(liabilities)		<u>89,794</u>	<u>(13,825)</u>
NET ASSETS		<u><u>169,078</u></u>	<u><u>63,796</u></u>
CAPITAL AND RESERVES			
Issued capital	19	194,160	181,340
Reserves	21	(25,082)	(117,544)
		<u><u>169,078</u></u>	<u><u>63,796</u></u>

Approved by the Board of Directors on 19 April 2000

Richard John Siemens
Director

Derrick Francis Bulawa
Director

Consolidated Cash Flow Statement

For the year ended 31 December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Net cash outflow from operating activities	22	<u>(7,893)</u>	<u>(4,112)</u>
Returns on investments and servicing of finance			
Dividends paid to minority shareholders		(800)	(6,400)
Interest received		995	251
Income from unlisted investments		<u>498</u>	<u>642</u>
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>693</u>	<u>(5,507)</u>
Taxation			
Hong Kong Profits Tax paid		(369)	(309)
Overseas tax paid		<u>(970)</u>	<u>(1,300)</u>
Tax paid		<u>(1,339)</u>	<u>(1,609)</u>
Investing activities			
Purchase of property, plant and equipment		(1,375)	(3,102)
Purchase of intangible assets		(781)	—
Addition of long-term investments		(10,568)	(3,512)
Proceeds from sale of property, plant and equipment		—	81
Purchase of a subsidiary	24	(2,714)	(2,274)
Purchase of investment securities		(778)	—
Increase in interest in a jointly controlled entity		—	(1,200)
Net cash outflow from investing activities		<u>(16,216)</u>	<u>(10,007)</u>
Net cash outflow before financing activities		<u>(24,755)</u>	<u>(21,235)</u>
Financing	26		
Issue of ordinary shares		121,071	8,076
Capital contributed by minority shareholders		3	—
Expenses on repurchase of Company's own shares		—	(20)
Net cash inflow from financing		<u>121,074</u>	<u>8,056</u>
Increase/(Decrease) in cash and cash equivalents		<u>96,319</u>	<u>(13,179)</u>
Cash and cash equivalents at 1 January 1999		<u>3,556</u>	<u>16,735</u>
Cash and cash equivalents at 31 December 1999		<u><u>99,875</u></u>	<u><u>3,556</u></u>
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		<u><u>99,875</u></u>	<u><u>3,556</u></u>

Notes to the Financial Statements

For the year ended 31 December 1999

1. GENERAL

The Company is a public listed company incorporated in Bermuda and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

Its principal activity is investment holding and those of its subsidiaries are set out in note 11 to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and of its subsidiaries for the year ended 31 December 1999. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Inter-company balances and transactions within the Group have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition or amortised on a straight-line basis to the income statement over its estimated useful economic life. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On the disposal of an investment in a subsidiary, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Subsidiaries

A subsidiary is an enterprise, in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body. In the Company's balance sheet, investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised as an expense in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvement	Over the remaining lease term
Office equipment, furniture and fittings	10% - 20%
Machinery and equipment	10% - 20%
Motor vehicles	20%

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Intangible assets

Intangible assets comprise business assets acquired and are amortised over their estimated useful lives. Business assets include mainly business plans, business contracts, copyrights and other intellectual property rights.

Long-term investments

Long-term investments represent investments in finished animated films, unfinished animated films and licence fee paid for television and home video rights in finished animated films. They are carried at cost, less provisions for any permanent diminution in value deemed appropriate by the directors and amortisation, where appropriate.

Amortisation is provided to write off the cost of the investments in finished animated films and the licence fee paid for television and home video rights in finished animated films over a period of five years.

No amortisation is provided on an unfinished animated film until it is finished and the distribution is started thereof.

Loans receivable and related production facilities agreements that transfer substantially all the rewards and risks of ownership of investment in finished animated films to the Group, other than legal title, are accounted for as long-term investments. At the inception of the above loans, the amount of loans are capitalised and included in long-term investments and amortised over the loans period. Any unamortised balance is written off to the income statement when the economic value of such investment ceases.

Investment securities

Investment securities held for an identified long-term purpose are stated at cost and subject to impairment review at each reporting date to reflect any diminution in their values, which is expected to be other than temporary. The amount of provisions is recognised as an expense in the period in which the decline occurs.

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between net sales proceeds and the carrying amount of the securities.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Sales of animated films are recognised when films are delivered to the customers and title has passed.

Income in respect of telecommunication services provided to customers is recognised when the services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Investment income is recognised when the Group's right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the approximate rates of exchange ruling at that date. Translation differences are included in the income statement.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

On consolidation, the financial statements of overseas subsidiaries denominated in currencies other than Hong Kong dollars, are translated at the approximate rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Pension costs

Contributions are recognised as expenses as they become payable in accordance with the rules of the scheme.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are recognised as expenses on the straight-line basis over the lease terms.

Cash equivalents

Cash equivalents in the consolidated cash flow statement represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

3. TURNOVER AND REVENUE

Turnover and revenue recognised by category are as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Sales of animated films	44,210	54,334
Telecommunication services income	1,035	—
Turnover	45,245	54,334
Interest income	995	251
Income from unlisted investments	498	642
Other revenue	1,493	893
Revenue	46,738	55,227

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

4. LOSS BEFORE TAXATION

This is stated after charging/(crediting):

	Group	
	1999 HK\$'000	1998 HK\$'000
Amortisation of goodwill	—	1,772
Amortisation of long-term investments	3,511	2,686
Auditors' remuneration	557	543
Bad debts written off	3,000	—
Cost of inventories	21,773	20,833
Depreciation	3,506	3,367
Loss/(Profit) on disposal of property, plant and equipment	319	(17)
Operating lease charges on premises	3,008	3,678
Staff costs	27,271	23,143
Amount due from a jointly controlled entity waived	1,200	—

5. DIRECTORS' REMUNERATION

	Group	
	1999 HK\$'000	1998 HK\$'000
Fees	—	—
Salaries, other emoluments and other benefits in kind	2,350	1,560
	<u>2,350</u>	<u>1,560</u>

No fees or emoluments was paid to the independent non-executive directors during the year (1998: Nil).

In additions to the above emoluments, certain directors were granted share options under the Company's share option scheme. Details of these benefits in kind are disclosed under the paragraph "Directors' interests in shares" in the Report of the Directors.

In the absence of a ready market for the options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

5. DIRECTORS' REMUNERATION (Cont'd)

The remuneration of directors were within the following bands:

	Number of directors	
	1999	1998
Nil	4	6
1 — 1,000,000	4	—
1,500,001 — 2,000,000	—	1
	<u>8</u>	<u>7</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (1998: one) were directors whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other two (1998: four) individuals were as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Basic salaries	2,540	3,106
Bonuses	300	—
	<u>2,840</u>	<u>3,106</u>
	Number of individuals	
	1999	1998
Nil — 1,000,000	—	3
1,000,001 — 1,500,000	1	1
1,500,001 — 2,000,000	1	—
	<u>2</u>	<u>4</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

6. RETIREMENT BENEFIT COSTS

Set out below are certain particulars regarding the provident fund scheme operated by the Group:

(a) Nature of scheme

The Group currently operates a provident fund scheme. The scheme is available to all employees of the Group. The assets of the scheme are held separately by independently administered funds.

(b) Funding of the scheme

The Group's defined contribution scheme is funded by contributions from employees and employer. The employees and employer contribute respectively to the scheme sums which represent percentages of salaries of the employees as defined under the relevant trust deeds.

(c) Cost of the scheme

The Group's total retirement costs pursuant to the scheme charged to the income statement during the year ended 31 December 1999 amounted to HK\$32,538 (1998: HK\$37,000) after offsetting contributions forfeited of HK\$21,052 (1998: HK\$51,000) by employees during the year. The forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years as at 31 December 1999 amounted to HK\$53,601 (1998: HK\$15,000).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

7. TAXATION

Hong Kong Profits Tax has been provided for at the rate of 16% (1998: 16%) on the estimated assessable profits for the year.

Overseas taxation represents income tax payable in the Peoples' Republic of China and is calculated at the prevailing rate.

	Group	
	1999 HK\$'000	1998 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	41	351
(Over)/Underprovision in respect of previous year	(21)	32
Overseas taxation	719	1,380
	<u>739</u>	<u>1,763</u>

The major components of deferred taxation not credited (provided) for the year are as follows:

	Group	
	1999 HK\$'000	1998 HK\$'000
Excess of tax allowances over depreciation	187	148
Tax losses (arising)/utilised:		
Acquisition of a subsidiary	(2,579)	—
Current year	(395)	24,077
	<u>(2,787)</u>	<u>24,225</u>

8. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss of the Company dealt with in the consolidated income statement amounted to HK\$70,989,000 (1998: HK\$46,062,000).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

9. LOSS PER SHARE

The calculation of basic loss per share is based upon the loss attributable to shareholders of HK\$78,408,000 (1998: HK\$63,555,000) and on the weighted average number of ordinary shares of 681,868,558 (1998: 443,194,585) in issue during the year. The 1999 and 1998 diluted loss per share are not shown because the potential ordinary shares would decrease the loss per share and would be regarded as anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Office equipment, furniture and fittings HK\$'000	Total HK\$'000
Cost					
At 1 January 1999	2,218	487	800	15,404	18,909
Acquisition of a subsidiary	1,371	—	102	531	2,004
Additions	—	—	269	1,106	1,375
Disposals	—	—	(578)	(518)	(1,096)
At 31 December 1999	3,589	487	593	16,523	21,192
Depreciation					
At 1 January 1999	1,263	248	533	5,485	7,529
Acquisition of a subsidiary	293	—	40	132	465
Charge for the year	184	68	267	2,987	3,506
Disposals	—	—	(466)	(311)	(777)
At 31 December 1999	1,740	316	374	8,293	10,723
Net book value					
At 31 December 1999	1,849	171	219	8,230	10,469
At 31 December 1998	955	239	267	9,919	11,380

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

10. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Leasehold improvement HK\$'000	Office equipment, furniture and fittings HK\$'000	Total HK\$'000
Cost			
At 1 January 1999	443	618	1,061
Additions	33	247	280
Disposals	(476)	(128)	(604)
At 31 December 1999	—	737	737
Depreciation			
At 1 January 1999	288	297	585
Charge for the year	138	122	260
Disposals	(426)	(71)	(497)
At 31 December 1999	—	348	348
Net book value			
At 31 December 1999	—	389	389
At 31 December 1998	155	321	476

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

11. INTERESTS IN SUBSIDIARIES

	Company	
	1999 HK\$'000	1998 HK\$'000
Unlisted shares, at cost	145,696	216,141
Provision for permanent diminution in value	(136,464)	(151,480)
	<u>9,232</u>	<u>64,661</u>
Due from subsidiaries	68,885	23,687
Provision for amount due from a subsidiary	—	(11,203)
	<u>68,885</u>	<u>12,484</u>
	<u>78,117</u>	<u>77,145</u>

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of subsidiary	Country of incorporation and operation	Ordinary share capital issued		Percentage of nominal value of issued capital held by the Company		Principal activities
		Number/amount	Par value per share HK\$	Directly	Indirectly	
Colorland Animation Productions Limited *	Hong Kong	3,250,000	1	—	60%	Investment holding and sales of animated films
Colorland Animation Productions (Shenzhen) Limited *	People's Republic of China	US\$500,000	—	—	60%	Production of animated films
Goldmarket Assets Limited	British Virgin Islands	139,371,568	1	100%	—	Investment holding
magictel.com Limited (formerly known as Magictel Limited)	Hong Kong	1,000	1	—	100%	Provision of telecommunication services
speedinsure.com Limited (formerly known as Cyber Pioneer Limited)	Hong Kong	10,000	1	—	70%	Provision of e-business service portal
TelaPortal Limited (formerly known as Bright Source Limited)	Hong Kong	2	1	—	100%	Provision of e-business service portal

* Companies not audited by Moores Rowland

Notes to the Financial Statements (Cont d)

For the year ended 31 December 1999

11. INTERESTS IN SUBSIDIARIES (Cont d)

The above summary lists the principal subsidiaries of the Company which, in the opinion of the Company's directors, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

12. INTANGIBLE ASSETS

	Group	
	1999	1998
	HK\$'000	HK\$'000
At cost	<u>781</u>	<u>—</u>

13. GOODWILL

	Group	
	1999	1998
	HK\$'000	HK\$'000
Cost		
At 1 January	70,445	68,171
Disposals	(70,445)	2,274
At 31 December	<u>—</u>	<u>70,445</u>
Amortisation		
At 1 January	36,772	35,000
Disposals	(36,772)	1,772
At 31 December	<u>—</u>	<u>36,772</u>
Net book value		
At 31 December	<u>—</u>	<u>33,673</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	1999	1998
	HK\$'000	HK\$'000
Share of net assets	—	11,284
Due from a jointly controlled entity	—	1,200
	<u>—</u>	<u>12,484</u>

In 1998, interest in a jointly controlled entity represented 25% equity interest in the registered and paid up capital of Chengdu Hongda Energy Co., Ltd. ("CHE"), a company established in the People's Republic of China. The Group had disposed its interest in CHE to a third party during the year.

15. LONG-TERM INVESTMENTS

Group	Investment in finished animated films HK\$'000	Television and home video rights in finished animated films HK\$'000	Investment in unfinished animated films HK\$'000	Total HK\$'000
1999				
Cost				
At 1 January 1999	16,699	285	539	17,523
Additions	4,269	—	6,299	10,568
Write-off	—	(285)	—	(285)
Transfers	6,838	—	(6,838)	—
Provision for diminution in value	(15,432)	—	—	(15,432)
At 31 December 1999	12,374	—	—	12,374
Amortisation				
At 1 January 1999	4,596	285	—	4,881
Charge for the year	3,511	—	—	3,511
Write-off	—	(285)	—	(285)
At 31 December 1999	8,107	—	—	8,107
Net book value				
At 31 December 1999	<u>4,267</u>	<u>—</u>	<u>—</u>	<u>4,267</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

15. LONG-TERM INVESTMENTS (Cont'd)

Group (Cont'd)	Investment in finished animated films HK\$'000	Television and home video rights in finished animated films HK\$'000	Investment in unfinished animated films HK\$'000	Total HK\$'000
1998				
Cost				
At 1 January 1998	11,141	285	2,585	14,011
Additions	2,973	—	539	3,512
Transfers	2,585	—	(2,585)	—
At 31 December 1998	16,699	285	539	17,523
Amortisation				
At 1 January 1998	1,991	204	—	2,195
Charge for the year	2,605	81	—	2,686
At 31 December 1998	4,596	285	—	4,881
Net book value				
At 31 December 1998	<u>12,103</u>	<u>—</u>	<u>539</u>	<u>12,642</u>

16. INVESTMENT SECURITIES

	Group and Company	
	1999	1998
	HK\$'000	HK\$'000
At cost, unlisted	<u>778</u>	<u>—</u>

17. INVENTORIES

	Group	
	1999	1998
	HK\$'000	HK\$'000
At cost:		
Raw materials	201	240
Work-in-progress	394	834
	<u>595</u>	<u>1,074</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

18. DUE TO A SHAREHOLDER

The amount due to a shareholder, Goldtron Limited, a company incorporated in the Republic of Singapore, is unsecured, interest-free and has no fixed terms for repayment.

19. ISSUED CAPITAL

	1999		1998	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Authorised				
Preference shares of HK\$1 each:				
At 1 January				
and 31 December	<u>288,929,402</u>	<u>288,929</u>	<u>288,929,402</u>	<u>288,929</u>
Ordinary shares of HK\$0.02 each:				
At 1 January	750,000,000	15,000	750,000,000	15,000
Increase of ordinary shares	<u>750,000,000</u>	<u>15,000</u>	<u>—</u>	<u>—</u>
At 31 December	<u>1,500,000,000</u>	<u>30,000</u>	<u>750,000,000</u>	<u>15,000</u>
TOTAL		<u><u>318,929</u></u>		<u><u>303,929</u></u>
Issued and fully paid				
Preference shares of HK\$1 each:				
At 1 January				
and 31 December	<u>170,970,968</u>	<u>170,971</u>	<u>170,970,968</u>	<u>170,971</u>
Ordinary shares of HK\$0.02 each:				
At 1 January	518,449,380	10,369	434,449,380	8,689
Issue of ordinary shares	631,000,000	12,620	84,000,000	1,680
Exercise of share options	<u>10,000,000</u>	<u>200</u>	<u>—</u>	<u>—</u>
At 31 December	<u>1,159,449,380</u>	<u>23,189</u>	<u>518,449,380</u>	<u>10,369</u>
TOTAL		<u><u>194,160</u></u>		<u><u>181,340</u></u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

19. ISSUED CAPITAL (Cont'd)

- (a) By an ordinary resolution passed at a special general meeting held on 1 September 1999, the authorised ordinary share capital of the Company was increased to HK\$30,000,000 by the creation of an additional 750,000,000 ordinary shares of HK\$0.02 each.
- (b) On 6 September 1999, the Company placed and issued 200,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.17 per share. The net proceeds of HK\$32,800,000 are being used for working capital purposes.

Pursuant to a sale and purchase agreement dated 14 September 1999, 240,000,000 new ordinary shares of HK\$0.02 each were allotted and issued at a price of HK\$0.23 per share in consideration of the entire issued share capital of magictel.com Limited, which have become a wholly-owned subsidiary of the Group since then.

On 10 November 1999, the Company placed and issued 190,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$0.45 per share. The net proceeds of HK\$83,300,000 were used for financing the expanding business and providing working capital of the Group.

On 13 December 1999, options were exercised to subscribe for 10,000,000 ordinary shares of HK\$0.02 each in the Company at a consideration of HK\$4,200,000.

Pursuant to an asset acquisition agreement dated 14 December 1999, the Company allotted and issued 1,000,000 new ordinary shares of HK\$0.02 each at a price of approximately HK\$0.778 per share to acquire certain assets from an independent third party.

- (c) The holders of the preference shares are entitled to convert all or any of the preference shares into fully paid ordinary shares on the basis of one ordinary share of HK\$0.02 each for every HK\$1 in nominal value of preference shares so converted, in accordance with the provision of the Company's Bye-laws. In each year the preference shares may be converted on any of the following dates:
 - (i) the date falling 30 days after the date of despatch of the audited financial statements of the Company for the last preceding accounting period to the holders of the preference shares; or
 - (ii) the date falling 30 days after the date on which the interim results of the Company in respect of any current accounting period shall be announced; or

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

19. ISSUED CAPITAL (Cont'd)

- (iii) such other dates as may be notified in writing by the directors to the holders of the preference shares not less than 30 days before such date.

In additions, as resolved by the directors on 16 December 1998, the preference shares may be converted every second Wednesday and last Wednesday of each month provided always that if such is not a business day then the next business day.

The Company may in accordance with the Bermuda Companies Act determine to redeem for a sum equal to (i) the nominal capital paid up or credited as paid up thereon and (ii) a fixed premium equal to five percent of the amount of such nominal capital and (iii) outstanding dividends, on any conversion date out of funds of the Company which would otherwise be available for dividend or distribution to the holders of any class of share or out of the proceeds of a new issue of ordinary shares.

20. SHARE OPTIONS

The Company had in issue the following share options as at the balance sheet date.

Date of options granted	Exercise price HK\$	Number of options outstanding
25 October 1999	0.42	51,630,223
16 November 1999	0.49	6,495,000
23 November 1999	0.60	4,100,000
		<u>62,225,223</u>

In accordance with the Company's Employee Share Option Scheme ("the Scheme") which was adopted in a Special General Meeting held on 25 October 1999, the directors of the Company may grant options to eligible employees to subscribe for shares in the Company. Any options granted can be exercised within the period as set out in the Rules and Regulations for the Scheme. The subscription price is determined by the board of directors and shall not be less than the higher of 80% of the average of the closing market prices of the shares for the five trading days immediately preceding the date of grant or the nominal value of a share.

Notes to the Financial Statements (Cont d)

For the year ended 31 December 1999

21. RESERVES

Group	Share premium HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Other capital reserve HK\$'000	Reserve on consolidation HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 1998	57,580	(35,133)	6	30,573	—	(111,619)	(58,593)
Shares issued at premium	6,720	—	—	—	—	—	6,720
Shares issue expenses	(324)	—	—	—	—	—	(324)
Shares repurchased in 1997	(20)	—	—	—	—	—	(20)
Net loss for the year	—	—	—	—	—	(63,555)	(63,555)
At 31 December 1998	63,956	(35,133)	6	30,573	—	(175,174)	(115,772)
Shares issued at premium	166,858	—	—	—	—	—	166,858
Shares issue expenses	(3,407)	—	—	—	—	—	(3,407)
Release on associates written off	—	36,250	—	(31,660)	—	—	4,590
Goodwill on acquisition of a subsidiary	—	—	—	—	(62,761)	—	(62,761)
Net loss for the year	—	—	—	—	—	(78,408)	(78,408)
At 31 December 1999	<u>227,407</u>	<u>1,117</u>	<u>6</u>	<u>(1,087)</u>	<u>(62,761)</u>	<u>(253,582)</u>	<u>(88,900)</u>
Company							
At 1 January 1998	57,580	—	6	—	—	(135,444)	(77,858)
Shares issued at premium	6,720	—	—	—	—	—	6,720
Shares issue expenses	(324)	—	—	—	—	—	(324)
Shares repurchased in 1997	(20)	—	—	—	—	—	(20)
Net loss for the year	—	—	—	—	—	(46,062)	(46,062)
At 31 December 1998	63,956	—	6	—	—	(181,506)	(117,544)
Shares issued at premium	166,858	—	—	—	—	—	166,858
Shares issue expenses	(3,407)	—	—	—	—	—	(3,407)
Net loss for the year	—	—	—	—	—	(70,989)	(70,989)
At 31 December 1999	<u>227,407</u>	<u>—</u>	<u>6</u>	<u>—</u>	<u>—</u>	<u>(252,495)</u>	<u>(25,082)</u>

There were no reserves available for distribution as at 31 December 1999 (1998: Nil).

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

22. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1999 HK\$'000	1998 HK\$'000
Loss before taxation	(75,170)	(55,323)
Interest income	(995)	(251)
Income from unlisted investments	(498)	(642)
Depreciation	3,506	3,367
Loss/(Profit) on disposal of property, plant and equipment	319	(17)
Amortisation of long-term investments	3,511	2,686
Bad debts written off	3,000	—
Loss on disposal of subsidiaries	33,673	—
Loss on disposal of a jointly controlled entity	11,284	—
Loss on associates written off	4,590	—
Provision for diminution in value of long-term investments	15,432	—
Amount due from a jointly controlled entity waived	1,200	—
Property, plant and equipment written off	—	206
Amortisation of goodwill	—	1,772
Provision for long-term receivable	—	17,149
Provision for diminution in value of associates	—	43,586
Changes in working capital:		
Inventories	479	1,532
Trade receivables, deposits paid, prepayments and other receivables	(7,895)	62,257
Trade payables, receipts in advance, accrued charges and other payables	(973)	(14,467)
Due from related companies	824	(3,650)
Due to a shareholder	(180)	(61,165)
Exchange difference on long-term receivable and bank balances	—	(1,152)
Net cash outflow from operating activities	(7,893)	(4,112)

23. MAJOR NON-CASH TRANSACTION

Consideration for the purchase of a subsidiary that occurred during the year comprised issuance of ordinary shares. Further details of the acquisition is set out in note 24.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

24. PURCHASE OF A SUBSIDIARY

	1999 HK\$'000	1998 HK\$'000
Net liabilities acquired:		
Property, plant and equipment	1,539	—
Trade receivables, deposits, prepayments and other receivables	435	—
Bank balances and cash	739	—
Trade payables, receipts in advance, accrued charges and other payables	(6,821)	—
	<u>(4,108)</u>	<u>—</u>
Goodwill	62,761	2,274
	<u>58,653</u>	<u>2,274</u>
Satisfied by:		
Shares allotted	55,200	—
Direct costs incurred	3,453	2,274
	<u>58,653</u>	<u>2,274</u>

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of a subsidiary:

	1999 HK\$'000	1998 HK\$'000
Bank balances and cash acquired	(739)	—
Cash payment for direct costs	3,453	2,274
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>2,714</u>	<u>2,274</u>

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

25. DISPOSAL OF SUBSIDIARIES

	1999 HK\$'000	1998 HK\$'000
Net assets disposed	—	—
Unamortised goodwill written off	33,673	—
	<u>33,673</u>	<u>—</u>
Loss on disposal	(33,673)	—
	<u>—</u>	<u>—</u>
Satisfied by:		
Cash	—	—
	<u>—</u>	<u>—</u>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Minority interest HK\$'000
At 1 January 1999	74,325	10,739
Cash inflow from financing	121,071	3
Shares issued for non-cash consideration	55,200	—
Share of profit for the year	—	2,499
Dividend paid to minority shareholders	—	(800)
At 31 December 1999	<u>250,596</u>	<u>12,441</u>

Notes to the Financial Statements (Cont d)

For the year ended 31 December 1999

27. COMMITMENTS

Commitments under operating leases

At the balance sheet date, the portion of outstanding commitments in respect of land and buildings not provided for under non-cancellable operating leases which are payable in the following year is as follow:

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating leases which expire:				
Within one year	1,786	1,047	893	730
In the second to fifth years inclusive	1,350	1,233	675	—
	<u>3,136</u>	<u>2,280</u>	<u>1,568</u>	<u>730</u>

Capital expenditure commitments

At the balance sheet date, the Group had the following capital expenditure commitments:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Authorised but not contracted for	<u>19,858</u>	<u>—</u>
Contracted but not provided for	<u>9,818</u>	<u>—</u>

28. RELATED PARTY TRANSACTIONS

During the year, the Company paid management fee to a shareholder amounting to HK\$1,500,000 (1998: HK\$2,000,000) pursuant to a management agreement dated 19 September 1994. The agreement was terminated on 30 September 1999 and no further payment was made since then.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

29. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation liabilities/(assets) unprovided are as follows:

	Group	
	1999	1998
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	357	170
Tax losses carried forward	(10,469)	(7,495)
	<u>(10,112)</u>	<u>(7,325)</u>

A potential deferred tax asset has not been recognised in the financial statements in respect of tax losses available to set off future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

30. POST BALANCE SHEET EVENTS

(a) Changes in authorised and issued share capital

On 9 February 2000, an aggregate of 72,042,000 preference shares were converted into 72,042,000 ordinary shares of HK\$0.02 each at a price of HK\$1.05 per share.

On 15 and 16 February 2000, the Company placed and issued 200,000,000 new ordinary shares of HK\$0.02 each at a price of HK\$3.6 per share. The net proceeds of HK\$705,000,000 will be used for financing expansion of existing business and providing additional working capital of the Group.

By an ordinary resolution passed at a special general meeting on 1 March 2000, the authorised ordinary share capital of the Company was increased to HK\$60,000,000 by the creation of 1,500,000,000 additional ordinary shares of HK\$0.02 each.

On 29 March 2000, an aggregate of 89,248,968 preference shares were converted into 89,248,968 ordinary shares of HK\$0.02 each at a price of HK\$1.05 per share.

Notes to the Financial Statements (Cont'd)

For the year ended 31 December 1999

30. POST BALANCE SHEET EVENTS (Cont'd)

(b) Investments

On 3 February 2000, the Group entered into an agreement with Elmsdale Media Limited ("Elmsdale") for subscribing 357,142 shares in Elmsdale at a consideration of GBP4,000,000 (approximately HK\$49,880,000). The principal activities of Elmsdale is the establishment and operation of worldwide interactive programming and distribution services.

On 9 February 2000, the Group entered into an agreement with SUMmedia.com Inc. ("SUMmedia") for subscribing approximately 3.8% equity interest and 700,000 warrants in SUMmedia at a consideration of US\$3,675,000 (approximately HK\$28,592,000). Each warrant entitled the Group to acquire one share of SUMmedia at a price of US\$7 per share for a period of one year from the date of issue of such warrant. SUMmedia is an Internet media and marketing company that provides online coupons through its eCoupon portal.

Further to the memorandum of understanding entered into by the Group and Space Media Holdings Limited ("Space Media") on 28 December 1999, a formal subscription agreement was entered into by the two parties on 16 February 2000 for acquiring 20% equity interest in Space Media at an aggregate consideration of US\$2,500,000 (approximately HK\$19,450,000). The said consideration has been included in the authorised but not contracted for capital expenditure commitments as disclosed in note 27. Space Media is engaged in the provision of Internet advertising consultancy services.

31. COMPARATIVE FIGURES

Following the adoption of Statements of Standard Accounting Practice 1 and 2 issued by the Hong Kong Society of Accountants, certain comparative figures have been reclassified to conform to current year's presentation.

Summary of the Results and of the Assets and Liabilities of the Group

For the year ended 31 December 1999

	Results of the Group for the five years ended 31 December				
	1999	1998	1997	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
Continuing operations	45,245	54,334	48,557	84,678	64,717
Discontinued operations	—	—	28,160	79,915	25,556
	<u>45,245</u>	<u>54,334</u>	<u>76,717</u>	<u>164,593</u>	<u>90,273</u>
Loss from operations	(75,170)	(55,323)	(56,790)	(8,025)	(16,824)
Share of results of associated companies	—	—	(21,478)	—	—
Loss before taxation	(75,170)	(55,323)	(78,268)	(8,025)	(16,824)
Taxation	(739)	(1,763)	(1,366)	7	(88)
Loss from ordinary activities after taxation	(75,909)	(57,086)	(79,634)	(8,018)	(16,912)
Minority interests	(2,499)	(6,469)	(6,154)	(920)	2,356
Net loss attributable to shareholders	<u>(78,408)</u>	<u>(63,555)</u>	<u>(85,788)</u>	<u>(8,938)</u>	<u>(14,556)</u>
Loss per share					
Basic	<u>(11.5 cents)</u>	<u>(14.3 cents)</u>	<u>(24.4 cents)</u>	<u>(2.8 cents)</u>	<u>(4.7 cents)</u>

Summary of the Results and of the Assets and Liabilities of the Group (Cont'd)

For the year ended 31 December 1999

e-Kong Group Limited

	Assets and liabilities of the Group for the five years ended 31 December				
	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000	1995 HK\$'000
Non-current assets	16,295	70,179	114,797	177,527	409,545
Current assets	115,752	15,406	108,802	79,119	80,447
Total assets	132,047	85,585	223,599	256,646	489,992
<i>Less:</i>					
Non-current liabilities	—	—	5,237	37,342	161,286
Current liabilities	14,346	9,278	86,625	15,917	60,591
Total liabilities	14,346	9,278	91,862	53,259	221,877
	117,701	76,307	131,737	203,387	268,115
<i>Less:</i>					
Minority interests	12,441	10,739	10,670	8,916	56,182
Total net assets	105,260	65,568	121,067	194,471	211,933

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2000**

INTERIM RESULTS HIGHLIGHTS

HIGHLIGHTS FOR THE PERIOD

- **Turnover increased by 34% compared to previous period.**
- **Net Asset value increased by 697%.**
- **Mr. Richard Siemens appointed as Chairman.**
- **Successfully raised HK\$700 million through share placement.**
- **Divestment of Goldmarket Assets Limited and its subsidiaries resulting in an extraordinary gain of HK\$23 million.**
- **Successfully launched ZONE1511.com and speedinsure.com service portals.**

BUSINESS REVIEW

In December 1999, e-Kong Group Limited (the “Company”) and its subsidiaries (the Company and its subsidiaries collectively referred to as the “Group”) formulated and crystallised a business strategy that leverages the Internet as a tool to tap into large revenue industries such as telecommunications and insurance. Unlike most Internet-related business models, that rely heavily on advertising and referral fees to generate revenues, the Group’s unique strategy is to form subsidiary companies that tap into existing revenue streams by way of convergent service portals.

These service portals enable both corporate and mass-market consumers to access and obtain fulfillment of the various consumption services. Revenues are shared with the established service providers that join as partners.

During this reporting period, the Group has actively executed on its plans to create industry convergent service portals, establishing partnerships and making strategic investments in technologies and technology-enabling companies that complement the Group’s business. Also, on 24 January 2000, Mr Richard Siemens assumed the position of Chairman of the Board and has since worked closely with the Group’s

management team.

The Group's new subsidiary businesses, including ZONE1511.com, speedinsure.com and NETdefence have contributed towards the higher turnover. Other income, in addition to operating income, mainly consisted of interest received from deposits with the balance of HK\$700 million being proceeds from a successful share placement in February 2000.

The transformation of the Group from a manufacturing-based entity into an Internet-related company was completed with the sale of Goldmarket Assets Limited and its subsidiaries, including Colorland Animation Productions Limited, in June 2000, which resulted in an extraordinary gain of HK\$23 million.

With a cash balance of just over HK\$600 million and no gearing, the Group is in a very favourable financial position to allow it to aggressively roll out its service portals in Hong Kong and around the world. The strong reserves also enable the Group to make necessary investments in companies that can support and facilitate the expansion of these service portals.

The Group has completed a number of investments during this period, as described in detail later in this report.

Below is a summary of activities for the Group's subsidiary businesses and investments made up to **30 June 2000**:

e-KONG SERVICES

The Group's Services arm has concentrated on developing and operating its core service portal businesses. To date, these include:

ZONE Group Inc.

ZONE Group Inc is a wholly-owned subsidiary focusing on International Direct Dialling (IDD) and Domestic Long Distance (DLD) telecom services targeted at deregulated markets worldwide. The seven countries that ZONE is targeting have a total annual IDD and DLD turnover of over US\$135 billion.

ZONE Limited (*www.ZONE1511.com*)

This Hong Kong IDD service portal was the first in the world to use the Internet to facilitate consolidation of sales, service, fulfillment, billing and settlement of IDD services. ZONE1511 was launched in March 2000 and was followed by an aggressive marketing campaign in May 2000. It has grown quickly and has attracted over 10,000 registered customers.

ZONE Telecom Pte Ltd (*www.ZONE1511.com.sg*)

To expand the ZONE service portal into Singapore, the Group applied for and was awarded a Service-Based Operator (SBO) licence in March 2000. A management team was put in place to launch the service in August 2000.

ZONE Telecom, Inc.

Commencing April 2000, the Group has been involved in negotiations with a number of interested parties in the US to acquire their customers and assets with the aim of establishing the ZONE service portal in the US.

speedinsure Global Limited

Targeting the enormous potential of the worldwide insurance market, the speedinsure business consolidates various policy providers and offers consumers the ability to compare quotations, purchase policies and gain instant coverage via the Internet. The countries in the Asia-Pacific region where speedinsure will initially be rolling out its service portals have a combined annual premium value of over US\$560 billion.

speedinsure.com Limited (*www.speedinsure.com*)

Launched in May 2000 in Hong Kong, the speedinsure.com service portal forms Hong Kong's first and largest online insurance selling network. The service provides instant quotations, fulfillment and coverage. While there are a number of insurance websites that provide information and price comparisons, speedinsure.com is unique as it offers **instant on-line cover** for multiple insurance products, including term life, motor vehicles and travel. Currently nine products are available from 13 large insurance underwriters. The number of registered users in its short history has exceeded 10,000.

speedinsure Singapore Pte Ltd (*www.speedinsure.com.sg*)

To expand speedinsure into Singapore, an application for a broker's licence was submitted to the Monetary Authority of Singapore (MAS) in June 2000. The licence is expected to be awarded by September 2000.

EventClicks Global Limited (*www.eventclicks.com*)

The EventClicks service portal is the first comprehensive online service dedicated to assisting event organizers from around the world who wish to bring meetings, incentives, conferences and exhibitions (MICE) to the Asia-Pacific region. The MICE industry for this region is estimated to be over US\$10 billion.

A very experienced team is now executing on EventClick's plan to be operational by September 2000. Headquartered in Hong Kong, EventClicks will initially have operations in Hong Kong, Singapore and Australia.

e-KONG PILLARS

The Group's Pillars arm consists of companies that the Group has invested in to gain strategic, technological or other business advantages that complement and strengthen its core service portal businesses.

NETdefence Company Limited (*www.netdefence.com*)

The Group acquired a majority interest in Hong Kong-based Internet security specialists, PolyMedia Technology Company Limited in February 2000. In May 2000, the company's name was changed to NETdefence Company Limited to better reflect its focus on Internet security solutions.

Space Media Holdings Limited (*www.spaceasia.com*)

In February 2000, the Group acquired a 20% stake in Space Media Holdings Limited, the leading independent Internet advertising network company in the Asia-Pacific region.

k2 Interactive Holdings Ltd (*www.k2ia.com*)

In May 2000, the Group invested as the largest external shareholder for up to 15% of Philippines-based k2 Interactive Holdings Limited (k2ia). A trailblazer in end-to-end cross-media solutions, k2ia offers digital design, strategic planning and e-business solutions to customers throughout Asia.

e-KONG INVESTMENTS

The Group's Investments arm has invested into a number of carefully selected companies that offer long-term value or strategic importance to the Group's interests.

Sportingbet.com (UK) plc (*www.sportingbet.com*)

In April 2000, the Group completed its acquisition of a 2% stake in Sportingbet.com (UK) plc, the first British company to offer tax-free betting on all major global sports events via the Internet.

SUMmedia.com Inc. (*www.SUMmedia.com*)

In February 2000, the Group completed its US\$4.67 million investment in SUMmedia.com Inc., an Internet portal focused on the US\$3 billion coupon industry and other retail-related websites.

AsiaXpat.com Limited (*www.asiaxpat.com*)

In February 2000, the Group made an investment in AsiaXpat.com Limited, which offers services, content and e-commerce targeting expatriates and English-speaking populations in Asia. It is currently operating in Hong Kong and Singapore and Tokyo will be the next targeted market.

DotMedia Studios Limited (*www.dotmedia.net*)

In February 2000, the Group acquired a minority stake in multimedia entertainment company DotMedia Studios Limited. The company brings together content, communities and commerce into online and offline destinations for young Asian audiences.

Yes Television plc (*www.yestelevision.com*)

In February 2000, the Group invested GBP 4 million in Yes Television plc (formally Elmsdale Media Limited), a British pioneer in broadband content technology and broadcasting.

Mass Media Interactive Sdn Bhd

In June 2000, the Group acquired a 5% interest in Mass Media Interactive Sdn Bhd (MMI), a MSC status company, principally engaged in providing advanced IT services, applications, research and development and other IT-based activities in Malaysia. One of its joint ventures, in which MMI owns a 60% interest, has been granted a licence for the Electronic Service Delivery (ESD) project in Malaysia.

PROSPECTS

As improvements in broadband and wireless technology continue and e-commerce is rapidly adopted in every sector of business, the Group believes that its convergent service portals will provide rewarding opportunities for generating strong profits and enhancing shareholders' value. The Group will continue to leverage on the ubiquity of the Internet to provide empowerment and self-serving tools that offer choice, convenience and quality services to our service portals' customers.

The Group has mapped out a clear and viable path to profitability, which it expects to achieve by 1st Quarter 2001. The Group has formulated strategies for each of its subsidiary service portal businesses to maintain a strong, defensible market position and is expected to achieve a growing market share.

A global corporate structure for the ZONE telecom service portal is currently in development. Plans are underway to expand the service portal into Singapore, the US, the UK, Australia and Japan within the next 6 to 9 months. The Singapore operation was launched on 14 August 2000 and the US operation is expected to begin in October 2000 following the acquisition of the customer base and certain assets of the Furst Group Inc. in August 2000.

Plans for the speedinsure service portal are similar. The operations will progressively be expanded into Singapore, Malaysia, Taiwan and Japan. Singapore is planned to be operational by November 2000.

EventClicks, the corporate events organizer service portal, was launched in September 2000.

The Group is dedicated to continuing its implementation of sound financial management and is fully committed to promote greater financial transparency and good corporate governance. The Group will be publishing financial reports on a quarterly basis commencing from the next financial year.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2000, together with comparative figures for the corresponding period in 1999, as follows:

Summary of Consolidated Income Statement

	<i>Note</i>	Six months ended 30 June	
		2000	1999
		HKS'000	HKS'000
		(Unaudited)	(Unaudited)
			(Restated)
Turnover			
Continuing operations		6,357	--
Discontinued operations		23,473	22,290
		<hr/>	<hr/>
		29,830	22,290
Cost of sales		(18,596)	(9,972)
		<hr/>	<hr/>
Gross profit		11,234	12,318
Interest income		14,009	36
Other revenue	1	23,449	274
Business promotion & marketing expenses		(17,558)	(13)
General & administrative expenses		(27,845)	(8,464)
Depreciation & amortization		(2,935)	(2,764)
		<hr/>	<hr/>
Profit/(Loss) from operations			
Continuing operations		(5,027)	(3,933)
Discontinued operations		5,381	5,320
		<hr/>	<hr/>
		354	1,387
Share of profit of associates		3	--
		<hr/>	<hr/>
Profit before taxation		357	1,387
Taxation	2	(739)	(450)
		<hr/>	<hr/>
(Loss)/Profit from ordinary activities after taxation		(382)	937
Minority interests		(897)	(1,948)
		<hr/>	<hr/>
Net loss attributable to shareholders		(1,279)	(1,011)
		<hr/>	<hr/>
Loss per share	3		

Basic	(0.09 cents)	(0.20 cents)
Diluted	N/A	N/A

Summary of Consolidated Balance Sheet

	30 Jun 2000	31 Dec 1999
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Fixed assets	13,490	10,469
Intangible assets	747	781
Investments	211,772	5,045
Cash and cash equivalents	602,672	99,875
Other current assets	27,124	15,877
Less : current liabilities	(16,701)	(14,346)
Minority interests	-	(12,441)
	=====	=====
Net assets	839,104	105,260
	=====	=====
Share capital and reserves	4 839,104	105,260
	=====	=====

Notes:

1. Other revenue

Other revenue mainly consisted of profit on disposal of subsidiaries. In June 2000, the Group disposed of its 100% shareholding in Goldmarket Assets Limited and its subsidiaries, including Colorland Animation Productions Limited (the "Goldmarket Group") to independent third parties. The Goldmarket Group was principally engaged in animation films productions. A profit on disposal of HK\$23,210,000 arose on disposal of the Goldmarket Group, being the proceeds of disposal less the carrying amount of its net assets and attributable goodwill.

2. Taxation

Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the period.

Overseas taxation represents income tax payable in the People's Republic of China and is calculated at the prevailing rate.

The charge comprises:

	<u>Six months ended 30 June</u>	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong Profits Tax	-	101
Overseas taxation	739	349
	-----	-----
	739	450
	=====	=====

3. Loss per share

The calculation of loss per share is based upon the loss attributable to shareholders of HK\$1,279,000 (1999: HK\$1,011,000) and on the weighted average number of ordinary shares of 1,438,770,951 (1999: 518,449,380) in issue during the period. The fully diluted loss per share for 1999 and 2000 is not shown because the potential ordinary shares would decrease the loss per share and would be regarded as anti-dilutive.

4. Share capital

	<u>30 June 2000</u>
	Number of Shares
Issued and fully paid:	
Preference shares of HK\$1 each	9,680,000
Ordinary shares of HK\$0.02 each	1,559,909,336

5. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2000. (1999: Nil)

SUBSEQUENT EVENTS

- (i) On 5 August 2000, an Asset Purchase Agreement was entered by and among the Company and its indirect and wholly-owned subsidiary, ZONE Telecom, Inc., on the one hand, and the Furst Group, Inc. and its subsidiaries including Televista, Inc., Cross Communications, Inc. and Allied Global Telecom, Inc. (the "Vendor") on the other hand, whereby ZONE Telecom, Inc. would acquire certain of the Vendor's business and assets, including inter alia, reselling of long distance telecommunications services and data communication services, at an aggregate cash consideration of US\$12,000,000 or at a consideration to be satisfied by the allotment and issue of new shares of

the Company subject to the terms and the conditions of the Agreement. Except those expressly excluded in the Agreement, the subjects of the acquisition include (a) the established customer base comprising approximately 30,000 active customers and 1.7 million inactive customers (b) all accounts receivable amounting to US\$4.2 million as at 30 June 2000 (c) 5 switches, all dialers and other equipment and tangible assets with a book value of US\$4.8 million as at 30 June 2000.

- (ii) On 31 August 2000, a sale agreement was entered between a wholly-owned subsidiary of the Company and Engage Inc., a Nasdaq listed Internet advertising network and a majority owned operating subsidiary of CMGI, Inc. In this agreement, the Group sold all its shares in Space Media Holdings Limited to Engage Inc. As the Group owns 18.91% of Space Media Holdings Limited, the total consideration for the sale to the Group is US\$12,900,000 to be settled by consideration shares to be issued by Engage Inc. Engage Inc. is an independent third party not connected with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consideration for acquiring an equity interest in Space Media Holdings Limited pursuant to a subscription agreement dated 16 February 2000 is US\$2,500,000.

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the directors, save and except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

APPRECIATION

I would like to express my sincerest thanks and appreciation to all my colleagues for their loyalty and full support to the Group during the period.

By order of the Board
Richard John Siemens
Chairman

Hong Kong, 26 September 2000

EXHIBIT 6

ZONE TELECOM, INC.
of
279 Harvard Street, Suite 21
Cambridge, MA 02139

RATES, RULES and REGULATIONS for FURNISHING
RESALE TELECOMMUNICATIONS SERVICES

Filed with the
Tennessee Public Service Commission

Issued: October 2, 2000

Effective: _____, 2000

by:

Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139

ORIGINAL PAGE 2

CHECK SHEET

The Title Page and Pages 1 to 27 inclusive, of this tariff are effective as of the date shown. Original and revised pages, as named below, contain all changes from the original tariff that are in effect on the date thereon, except as otherwise noted.

PAGE	REVISION NUMBER
1	Original
2	Original
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4	Original
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279 Harvard Street, Suite 21
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PAGE	REVISION NUMBER
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42	Original
43	Original
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TARIFF FORMAT

Page Numbering - Page numbers appear in the upper right hand corner of the page. Pages are numbered sequentially. From time to time new pages may be added to the tariff. When a new page is added between existing pages a decimal is added to the preceding page number. For example, a new page added between Pages 3 and 4 would be numbered 3.1.

Issued: October 2, 2000

Effective: _____, 2000

by:

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SYMBOLS FOR CHANGES

- (1) "AT" means addition to text.
- (2) "C" means correction.
- (3) "CP" means change in practice.
- (4) "CR" means change in rate.
- (5) "CT" means change in text.
- (6) "DR" means discontinued rate.
- (7) "FC" means change in format lettering or numbering.
- (8) "MT" means moved text.
- (9) "NR" means new rate.
- (10) "RT" means removal of text.

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1.0 EXPLANATION OF TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the Customer's location to any switching center or designated point of presence.

Authorized User - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Carrier's service.

Customer or End User - The person, firm, corporation or other entity which orders, cancels, amends or uses service and is responsible for payment of charges and compliance with the Company's tariff.

Company or Carrier - Zone Telecom, Inc., unless otherwise clearly indicated by the context.

Commission - Tennessee Public Service Commission.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

Evening - From 5:00 PM up to but not including 11:00 pm local time Sunday through Friday.

Holidays - The Company observes the following holidays: New Years Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day and Memorial Day.

TPSC - Tennessee Public Service Commission.

LEC - Local Exchange Company.

Night/Weekend - From 11:00 PM up to but not including 8:00 AM Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

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1.0 EXPLANATION OF TERMS AND ABBREVIATIONS (continued)

Zone - Used throughout this tariff to mean Zone Telecom, Inc.

V & H Coordinates - Geographic points which define the originating and terminating points of a call in mathematical terms so that the airline mileage of the call may be determined. Call mileage is used for the purpose of rating calls.

InterLATA Toll Call - Any call terminating beyond the LATA of the originating caller.

IntraLATA Toll Call - Any call terminating within the LATA of the originating caller.

LATA - Local Access and Transport Area

Local Call - Calls placed within the Local Exchange Carrier franchise area or EAS area. Local calls will be routed to the LEC and not be handled by the carrier.

Issued: October 2, 2000

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2.0 RULES AND REGULATIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to intrastate long distance resale telecommunications services provided by Zone for telecommunications between points within the State of Tennessee.

(A) The Company may, from time to time, offer various enhanced services and information services within the State of Tennessee. Such services will be provided pursuant to contract and will not be governed by this tariff.

(B) The Company may also, from time to time, offer switching and/or transmission to other telecommunications carriers, for resale to such companies' customers. The rates for any such services will be determined pursuant to contract, and Section 4 of this Tariff will not apply thereto.

2.1.2 The services of Zone are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services, but do involve the resale of the Message Toll Services (MTS) of underlying common carriers.

2.1.3 The rates and regulations contained in this tariff apply only to the services furnished by Zone and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Zone.

Issued: October 2, 2000

Effective: _____, 2000

by:

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Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139

2.0 Rules and Regulations (continued)**2.2 Use of Services**

- 2.2.1** Zone's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.
- 2.2.2** The use of Zone's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another or in such a way as to unreasonably interfere with use by others is prohibited.
- 2.2.3** The use of Zone's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.2.4** Zone's services are available for use twenty-four hours per day, seven days per week.
- 2.2.5** Zone does not transmit messages pursuant to this tariff, but its services may be used for that purpose.
- 2.2.6** Zone's services may be denied for nonpayment of charges or for other violations of this tariff.

Issued: October 2, 2000**Effective: _____, 2000****by:**

**Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139**

2.0 RULES AND REGULATIONS (continued)**2.3 Liability of Zone**

- 2.3.1** Zone shall not be liable for loss or damage sustained by reason of any failure in or breakdown of facilities associated with Zone's services or for any interruption or delay of services, whatever shall be the cause of such failure, breakdown, or interruption and whether negligent or otherwise and however long it shall last. In no event shall Zone's liability for any service exceed the charges applicable under this tariff of such service.
- 2.3.2** The Company shall be indemnified and saved harmless by any Customer, user or any other entity against claims for libel, slander or the infringement of copyright arising from the material transmitted over its services; and against all other claims arising out of any act or omission of a Customer or of any other entity in connection with the services provided by the Company.
- 2.3.3** Zone is not liable for any act or omission of any entity furnishing facilities or services connected with or provided in conjunction with the services of Zone.
- 2.3.4** The Company shall not be liable for any personal injury, or death of any person or persons, and for any loss or damage sustained by reason of acts, mistakes, omissions, errors or defects in providing its services, whatever shall be the cause and whether negligent or otherwise.

Issued: October 2, 2000**Effective: _____, 2000****by:**

Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139

2.0 RULES AND REGULATIONS (continued)

2.3.5 The Company shall not be liable for and shall be indemnified and saved harmless by any Customer user or other entity from any and all losses, claims, demands, suits, of other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, user or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer, user or any other entity or any other property whether owned or controlled by the Customer, user or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, user or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Zone which is not the direct result of Zone's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of Zone.

2.3.6 Zone shall not be liable for any failure of performance due to causes beyond its control, including, without being limited to, acts of God, fires, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, acts or omissions of other carriers, and any law, order, regulation or other action of any governing authority or agency thereof.

Issued: October 2, 2000

Effective: _____, 2000

by:

**Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139**

2.0 RULES AND REGULATIONS (continued)**2.3 Liability of Zone Telecom (continued)**

2.3.7 Zone Telecom, Inc. shall not be liable to any customer, authorized user or third party for failures caused by the transition to the Year 2000. Zone has, and will continue to make diligent efforts to ensure that our customers receive the services specified in this tariff before, during and after the Year 2000. Due to Zone's reliance on the equipment and facilities of other companies and their processes, Zone shall not be held responsible for damages of any nature, including consequential damages, due to, but not limited to, failures or interruptions to systems, switches, transmission facilities, computers and related equipment maintained by, provided by, or operated by either Zone or other third parties, including, but not limited to underlying carriers, local exchange companies, customers and other competitors. Information contained on Zone's Internet website and/or information provided to parties upon request regarding the Year 2000 readiness of products and services offered by Zone are "Year 2000 Readiness Disclosures" as defined by the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386, a U.S. Statute) enacted on October 19, 1998.

Issued: October 2, 2000

Effective: _____, 2000

by:

Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139

2.0 RULES AND REGULATIONS (continued)**2.4 Responsibilities of the Customer or Subscriber**

- 2.4.1** The Customer is responsible for placing any necessary orders; for complying with tariff regulations; and for assuring that users comply with tariff regulations. The Customer shall ensure compliance with any applicable laws, regulations, orders or other requirements (as they exist from time to time) of any governmental entity relating to services provided or made available by the Customer to Authorized Users. The Customer is also responsible for the payment of charges for calls originated at the Customer's numbers.
- 2.4.2** The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by Zone on the Customer's behalf.
- 2.4.3** If required for the provision of Zone services, the Customer must provide any equipment space, supporting structure, conduit and electrical power without charge to the Company.
- 2.4.4** The Customer is responsible for arranging access to its premises at times mutually agreeable to the Company and the Customer when required for the Company personnel to install, repair, maintain, program, inspect or remove equipment associated with the provision of Zone's services.

Issued: October 2, 2000

Effective: _____, 2000

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2.0 RULES AND REGULATIONS (continued)

2.4.5 The Customer shall ensure that the equipment and/or system is properly interfaced with Zone facilities or services, that the signals emitted into the Zone network are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer in compliance with the criteria set forth in this tariff, and that the signals do not damage equipment, injure personnel, or degrade service to other Customers. If the Federal Communications Commission or some other appropriate certifying body certifies terminal equipment as being technically acceptable for direct electrical connection with interstate communications service, Zone will permit such equipment to be connected with its channels without the use of protective interface devices.

If the customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to Zone equipment, personnel, or the quality of service to other Customers, Zone may, upon written notice, require the use of protective equipment at the Customer's expense. If this fails to produce satisfactory quality and safety, Zone may, upon written notice, terminate the Customer's service.

Issued: October 2, 2000

Effective: _____, 2000

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2.0 RULES AND REGULATIONS (continued)

- 2.4.6** The Customer must pay the Company for replacement or repair of damage to the equipment or facilities of the Company caused by negligence or willful act of the Customer, users, or others, by improper use of the services, or by use of equipment provided by the Customer, users, or others.
- 2.4.7** The Customer must pay for the loss through theft of any Zone equipment installed at Customer's premises.
- 2.4.8** The Customer or Authorized User is responsible for payment of the charges set forth in this tariff.
- 2.4.9** The Customer or Authorized User is responsible for compliance with the applicable regulations set forth in this tariff.
- 2.4.10** The Customer or Authorized User is responsible for identifying the station, party, or person with whom communications is desired and/or made at the called number.

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2.0 RULES AND REGULATIONS (continued)**2.5 Cancellation or Interruption of Services**

2.5.1 Without incurring liability, Zone may immediately discontinue services to a Customer or may withhold the provision of ordered or contracted services:

- (A) For nonpayment of any sum due Zone for more than thirty days after issuance of the bill for the amount due,
- (B) For violation of any of the provisions of this tariff,
- (C) For violation of any law, rule, regulation or policy of any governing authority having jurisdiction over the Company's services, or
- (D) By reason of any order or decision of a court, public service commission or federal regulatory body or other governing authority prohibiting Zone from furnishing its services.

Issued: October 2, 2000

Effective: _____, 2000

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2.0 RULES AND REGULATIONS (continued)

2.5.2 Without incurring liability, Zone may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of Customer and Company's equipment and services and may continue such interruption until any items of non-compliance or improper equipment operation so identified are rectified.

2.5.3 Service may be discontinued by Zone, without notice to the Customer, by blocking traffic to certain countries, cities or NXX exchanges, or by blocking calls using a call screening method which generates a network message not allowing calls to complete, when Zone deems it necessary to take such action to prevent unlawful use of its service. Zone will restore service as soon as it can be provided without undue risk.

Issued: October 2, 2000

Effective: _____, 2000

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2.0 RULES AND REGULATIONS (continued)**2.6 Contested Charges**

For consideration of any disputed charge, a user must submit in writing to Zone, within 30 days of the date the bill is issued, the call details and the bases for any requested adjustment. Zone will promptly investigate and advise the user as to its findings and disposition. Any undisputed charges must be paid on a timely basis.

2.7 Deposits

The Company does not require a deposit from the Customer.

2.8 Taxes

All state and local taxes (e.g., gross receipts tax, sales tax, municipal utilities tax) are billed separately from the quoted rates.

2.9 Payphone Use Surcharge

An undiscountable payphone use surcharge of \$.35 shall apply to each coinless call which Zone can identify as being placed from a domestic payphone by or to the customer or its permitted user. This includes, but is not limited to, calls placed with a Zone calling card, pre-paid calling card, collect calls and calls placed to 800 numbers. This charge is in addition to standard tariffed usage charges and is for the use of the payphone instrument to access Zone's service.

Issued: October 2, 2000

Effective: _____, 2000

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3.0 DESCRIPTION OF SERVICE OFFERED

3.1 General

Service is offered to business Customers and is available on a presubscription basis from equal access originating end offices only. When a Customer elects to use Calling Card service, calls may be initiated from any location from which the caller can dial the appropriate access codes.

3.2 Calculation of Distance

Usage charges for all mileage sensitive products are based on the airline distance between rate centers associated with the originating and terminating points of the call. The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. Zone uses the rate centers and associated vertical and horizontal coordinates that are produced by Bell Communications Research in their NPA-NXX V & H Coordinates Tape and NECA Tariff FCC No. 4.

FORMULA =

$$\sqrt{\frac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$$

Issued: October 2, 2000

Effective: _____, 2000

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)**3.3 Timing of Calls**

- 3.3.1** Long distance usage charges are based on the actual usage of Zone's network. The Company will determine that a call has been established through industry standard answer detection methods, including hardware answer detection.
- 3.3.2** Chargeable time for a call ends upon disconnection by either party.
- 3.3.3** For billing provided directly by Company, the minimum call duration and initial period is 18 seconds for all intrastate direct dialed calls unless otherwise specified by this tariff. For billing provided directly by Company, the additional period is measured and rounded to the next higher 6 second increment unless otherwise specified by this tariff.
- 3.3.4** For billing provided by the Local Exchange Carrier of the Customer, the minimum call duration and initial period is 60 seconds (1 minute) and the additional period is measured in 60 second (1 minute) increments.
- 3.3.5** No charges apply for incomplete calls. If a Customer believes he or she has been incorrectly billed for an incomplete call, the Company will, upon written notification, investigate the circumstances of the call and issue a credit when appropriate.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)**3.4 Service Offerings**

- 3.4.1** Zone offers its services to Customers at equal access end offices. All services are available twenty-four hours per day, seven days a week.
- 3.4.2** Virtual Wats Service: Virtual Wats Service is a resold telecommunications service utilizing AT&T as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 888) switched and dedicated calling, calling card calling and directory assistance services.
- 3.4.3** FiberWats Service: FiberWats Service is a resold telecommunications service utilizing Sprint as the underlying carrier. This service includes such features as outbound switched and dedicated calling, inbound (800 or 888) switched and dedicated calling, calling card calling and directory assistance services.

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3.0 DESCRIPTION OF SERVICE OFFERED (continued)**3.5 Zone Calling Card Service**

Customers of Zone Calling Card Service may place calls while away from home or office by dialing a 10 digit code plus a 4 digit PIN number. assigned to the Customer. Calls are then completed on direct dialed basis. Usage charges and per call service charges apply. No minimum billing, nonrecurring charges or fixed monthly charges apply to this service.

3.6 Outbound One-Plus**3.6.1 Intrastate/InterLATA**

Calls that originate within one LATA and terminate in another LATA.

3.6.2 Intrastate/IntraLATA

Calls that originate and terminate within the same LATA.

3.7 Inbound Switched Service (800 or 888)

Receives inbound Intrastate calls on regular local telephone lines.

3.8 Inbound Dedicated Service (800 or 888)

Receives inbound Intrastate calls on Dedicated Access Lines using 800 or 888 number(s).

Issued: October 2, 2000

Effective: _____, 2000

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4.0 VIRTUAL WATS RATES**4.1 General**

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

4.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WEDS	THURS	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD						
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEEKEND RATE PERIOD						
11:00 PM TO 8:00 AM*							

* to, but not including

Issued: October 2, 2000

Effective: _____, 2000

by:

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4.0 VIRTUAL WATS RATES (continued)**4.3 Holiday Rates**

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

Issued: October 2, 2000

Effective: _____, 2000

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4.0 VIRTUAL WATS RATES (continued)

4.4 Outbound One-Plus Service

4.4.1 **SWITCHED ACCESS** - This schedule applies to calls (between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off-network station in the State of Tennessee.

Calls are billed in 6 seconds increments, with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Rate per initial 18 second minimum and additional 6 second increments:

InterLATA

Rate Mileage	<u>1st 18 Seconds Or Fraction</u>			<u>Additional 6 Seconds or Fraction</u>		
	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0+	\$0.0606	\$0.0543	\$0.0543	\$0.0202	\$0.0181	\$0.0181

Monthly Service Charge \$5.00

Issued: October 2, 2000

Effective: _____, 2000

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4.0 VIRTUAL WATS RATES (continued)

4.4.1 SWITCHED ACCESS (continued)

IntraLATA

<u>Rate</u> <u>Mileage</u>	<u>1st 18 Seconds</u> <u>Or Fraction</u>			<u>Additional 6 Seconds</u> <u>or Fraction</u>		
	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/ Weekend</u>
0+	\$0.0429	\$0.0399	\$0.0399	\$0.0143	\$0.0133	\$0.0133

Monthly Service Charge \$5.00

Issued: October 2, 2000

Effective: _____, 2000

by:

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4.0 VIRTUAL WATS RATES (continued)

4.4.2 DEDICATED ACCESS - This schedule applies to calls between on-network stations which use a special access line and either an on-network station that uses a local exchange service access line or an off-network station in the State of Tennessee.

Rate per initial 18 second minimum and additional 6 second increments:

InterLATA

<u>Rate</u> <u>Mileage</u>	<u>1st 18 Seconds</u> <u>or Fraction</u>			<u>Additional 6 Seconds</u> <u>or Fraction</u>		
	<u>Day</u>	<u>Evening</u>	<u>Night/</u> <u>Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/</u> <u>Weekend</u>
0+	\$0.0420	\$0.0363	\$0.0363	\$0.0140	\$0.0121	\$0.0121

IntraLATA

<u>Rate</u> <u>Mileage</u>	<u>1st 18 Seconds</u> <u>or Fraction</u>			<u>Additional 6 Seconds</u> <u>or Fraction</u>		
	<u>Day</u>	<u>Evening</u>	<u>Night/</u> <u>Weekend</u>	<u>Day</u>	<u>Evening</u>	<u>Night/</u> <u>Weekend</u>
0+	\$0.0420	\$0.0363	\$0.0363	\$0.0140	\$0.0121	\$0.0121

Monthly Service Charge \$20.00

Issued: October 2, 2000

Effective: _____, 2000

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4.0 VIRTUAL WATS RATES (continued)

4.5 Inbound Service Rates

Switched Access

<u>Day</u>	<u>Rate Per Hour of Use</u>	
	<u>Evening</u>	<u>Night/Weekend</u>
\$12.06	\$12.06	\$12.06

Monthly Recurring Service Charge \$20.00

Dedicated Access

<u>Day</u>	<u>Rate Per Hour of Use</u>	
	<u>Evening</u>	<u>Night</u>
\$9.30	\$9.24	\$9.18

Monthly Recurring Service Charge \$50.00

Issued: October 2, 2000

Effective: _____, 2000

by:

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4.0 VIRTUAL WATS RATES (continued)**4.6 Calling Card Service Rates****4.6.1 General**

Calling Card Service allows Customers to place calls using primary place of residence or business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per-call service charge applies in addition to the per-minute usage rates.

Calls are billed in 6 seconds increments, with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Issued: October 2, 2000

Effective: _____, 2000

by:

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4.0 VIRTUAL WATS RATES (continued)

4.6.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges listed below. Usage discounts do not apply to the service charge.

Service charge per call \$0.65

INTRASTATE CALLING CARD RATES

Rate Mileage	1 st 18 Seconds		Additional 6 Seconds	
	<u>Day</u>	<u>E/N/W</u>	<u>Day</u>	<u>E/N/W</u>
0+	\$0.0655	\$0.0587	\$0.0218	\$0.0196

Issued: October 2, 2000

Effective: _____, 2000

by:

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5.0 FIBERWATS RATES**5.1 General**

Each Customer is charged individually for each call placed through the Company. Charges are computed on an airline mileage basis as described in Section 3.2 of this tariff.

Rates vary by mileage band, time of day and call duration.

Customers are billed based on their use of Zone Telecom, Inc. long distance service. Unless specified in the service description section of this tariff, no installation charges apply.

5.2 Time of Day Rate Periods

The appropriate rates apply for day, evening and night/weekend calls based on the following chart.

	MON	TUES	WED	THURS	FRI	SAT	SUN
8:00 AM TO 5:00 PM*	DAYTIME RATE PERIOD						
5:00 PM TO 11:00 PM*	EVENING/NIGHT/WEEKEND RATE PERIOD						
11:00 PM TO 8:00 AM*							

* to, but not including

Issued: October 2, 2000

Effective: _____, 2000

by:

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5.0 FIBERWATS RATES (continued)**5.3 Holiday Rates**

The evening rate applies to the following holidays unless a lower rate would normally apply.

New Year's Day	-	January 1
Independence Day	-	July 4
Labor Day	-	As nationally observed
Thanksgiving Day	-	As nationally observed
Christmas Day	-	December 25
Memorial Day	-	As nationally observed

Issued: October 2, 2000

Effective: _____, 2000

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5.0 FIBERWATS RATES (continued)**5.4 Outbound One - Plus Service**

5.4.1 SWITCHED ACCESS - This schedule applies to calls between two on-network stations which use local exchange service access lines or between an on-network station which uses a local exchange service access line and an off-network station in the State of Tennessee.

Calls are billed in 6 second increments with 18 seconds minimum, except for Local Exchange Company billing which will be in 60 second (1 minute) increments [see Section 3.3.4 of this tariff]. The 60 second (1 minute) rate is ten (10) times the 6 second increments shown below.

Rate per initial 18 second minimum and additional 6 second increment.

InterLATA

Rate Mileage	Initial 18 Seconds or Fraction		Additional 6 Seconds or Fraction	
	Even/Night		Even/Night	
	Day	Weekend	Day	Weekend
0+	\$0.0513	\$0.0513	\$0.0171	\$0.0171

IntraLATA

Rate Mileage	Initial 18 Seconds or Fraction		Additional 6 Seconds or Fraction	
	Even/Night		Even/Night	
	Day	Weekend	Day	Weekend
0+	\$0.0420	\$0.0420	\$0.0140	\$0.0140

Recurring monthly service charge \$5.00

Issued: October 2, 2000

Effective: _____, 2000

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5.0 FIBERWATS RATES (continued)

5.4.2 **DEDICATED ACCESS** - This schedule applies to calls between an on-network station which uses a special access line and either an on-network station which uses a local exchange service access line or an off-network station in the State of Tennessee.

Rate per initial 18 second minimum and additional 6 second increment.

InterLATA

Rate Mileage	Initial 18 Seconds or Fraction		Additional 6 Seconds or Fraction	
	Even/Night		Even/Night	
	Day	Weekend	Day	Weekend
0+	\$0.0354	\$0.0354	\$0.0118	\$0.0118

IntraLATA

Rate Mileage	Initial 18 Seconds or Fraction		Additional 6 Seconds or Fraction	
	Even/Night		Even/Night	
	Day	Weekend	Day	Weekend
0+	\$0.0354	\$0.0354	\$0.0118	\$0.0118

Monthly access fees and service charges vary by Customer location and may be assessed by the Local Telephone Company or underlying carrier. These may be billed directly to the Customer by the Local Telephone Company or at the Customer's request, by Zone with no mark up from actual cost.

Issued: October 2, 2000

Effective: _____, 2000

by:

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5.0 FIBERWATS RATES (continued)

5.5 Inbound (800 or 888) Service Rates

Switched Access

Rate
Per Hour of Usage

<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$12.84	\$12.84	\$12.84

Recurring monthly service charge \$20.00

Dedicated Access

Rate
Per Hour of Usage

<u>Day</u>	<u>Evening</u>	<u>Night</u>
\$7.98	\$7.98	\$7.98

Recurring monthly service charge \$50.00

Issued: October 2, 2000

Effective: _____, 2000

by:

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5.0 FIBERWATS RATES (continued)**5.6 Calling Card Service Rates****5.6.1 General**

Calling Card Service allows Customer to place calls using their primary place of business. Customers must dial a 10 digit code plus a 4 digit PIN number, and the destination telephone service number when using the service. A per call service charge applies in addition to the per minute usage rates.

Calling Card calls placed by Customers that have subscribed to Zone's calling card service prior to the date of this filing will be billed in 6 second increments with 18 seconds minimum. Calling Card calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing will be billed in 60 second (1 minute) increments. Local Exchange Company billing will be in 60 second (1 minute) increments [see Section 3.3.4 of this tariff]. The 60 second (1 minute) rate, which applies to Local Exchange Company billing and to calls placed by Customers that have subscribed to Zone's calling card service as of the date of this filing, is ten (10) times the 6 second increments shown below.

Issued: October 2, 2000

Effective: _____, 2000

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5.0 FIBERWATS RATES (continued)

5.6.2 Calling Card Service Charge

This charge applies to each call in addition to the per minute usage charges listed below. Usage discounts do not apply to the service charge.

Service charge per call \$0.55

<u>Rate</u> <u>Mileage</u>	<u>Initial 18 Seconds</u> <u>or Fraction</u>		<u>Additional 6 Seconds</u> <u>or Fraction</u>	
	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>	<u>Day</u>	<u>Even/Night</u> <u>Weekend</u>
0+	\$0.0642	\$0.0642	\$0.0214	\$0.0214

Issued: October 2, 2000

Effective: _____, 2000

by:

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6.0 COMMERCIAL AFFILIATION PROGRAM**6.1 General**

This section contains the regulations applicable to the Commercial Affiliation Program. (see section 6.4 following for applicable rates)

6.2 Availability Of Service

The following rates apply to residential and small business customers. To qualify for this service, Customers must be members of trade associations or commercial organizations. Customers may also qualify if they are individuals within an industry profession or business classification. Service shall be obtained by responding to an advertisement or promotional offering or by calling a toll free number in response to such solicitation.

6.3 Application Of Charges

Customers of this calling plan may place as many calls as desired at the specified rates. No minimum monthly usage is required.

6.4 Rates And Charges

The following rates apply for all times of day, seven days a week, for all distances. Calls will be billed at 18 second initial increment with 6 second additional increments.

Rate Mileage	Initial 18 Seconds or Fraction		Each Additional 6 Seconds or Fraction	
	<u>Day</u>	<u>Eve/Night Weekend</u>	<u>Day</u>	<u>Eve/Night Weekend</u>
0+	\$0.0429	\$0.0429	\$0.0143	\$0.0143
Monthly Recurring Fee \$2.00				

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7.0 ZONE TELECOM SPECIAL PROMOTIONAL OFFERINGS

- 7.1 The company may from time to time engage in Special Promotional Offerings limited to certain dates, times or locations designed to attract new subscribers or increase subscriber usage. The company will not have special promotional offerings for more than 90 days in any 12 month period. In all such cases, the rates charged will not exceed those specified in this Tariff.

Issued: October 2, 2000

Effective: _____, 2000

by:

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8.0 ZONE TELECOM TELECONFERENCE SERVICE**8.1. Teleconference Service Description**

Zone Telecom Teleconference Service provides communications between two or more stations connected to an audio bridge with the assistance of a teleconference operator.

8.2. Billing

Charges accrued by using teleconference service are billed to the telephone number of the originator of the conference call or billed to another number, if it is acceptable to that party.

8.3. Timing of Calls

8.3.1 Chargeable time of a conference call begins when all participants are connected and ends for each individual station when that station disconnects.

8.3.2 Chargeable time for ports joining the conference call already in progress begins when they are connected by a teleconference operator.

8.4. Rates and Charges

8.4.1 Charges for teleconference service calls are per minute and per port usage, rounded to the next highest full minute.

Issued: October 2, 2000

Effective: _____, 2000

by:

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8.0 ZONE TELECOM TELECONFERENCE SERVICE (continued)**8.4. Rates and Charges (continued)**

8.4.2 Dial - In Service: Each participant dials into the conference via a standard telephone number and pays their own long distance costs. A teleconference operator will ask for the designator of the call and place the participant into the call. Bridging costs are paid by the initiating party.

Dial - In Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time
Periods Domestic Interstate and Intrastate Calling \$0.21

8.4.3 Dial - Out Service: Each participant is called by a teleconference operator and placed into the conference. The initiating party pays all long distance charges and bridging costs.

Dial - Out Service Rates

Bridging Usage Rate Per Minute, Per Line, All Time
Periods Domestic Interstate and Intrastate Calling \$0.39

8.4.4 800/888 Dial - In: Participants dial in via an 800/888 number. A teleconference operator will ask for the designated moderator of the call and place the participant into the call. The initiating party pays all long distance charges and bridging costs.

800/888 Dial - In

Bridging Usage Rate Per Minute, Per Line, All Time
Periods Domestic Interstate and Intrastate Calling \$0.39

Issued: October 2, 2000

Effective: _____, 2000

by:

**Lawton Bloom
Vice President and Secretary
Zone Telecom, Inc.
279 Harvard Street, Suite 21
Cambridge, MA 02139**

10.0 ZONE PREPAID LONG DISTANCE SERVICE**10.1. Description**

Zone prepaid long distance service is an optional 1+/011+ direct dial long distance service wherein customers submit payments in advance.

The advance payments are placed in the consumer's account and are depleted as long distance charges, applicable surcharges, regulatory assessments, taxes and fees are accrued. If during any month, the total of charges exceed the monthly advance payments, the customer will hear an announcement that there is no credit available, and the customer will not be able to complete 1+/011+ calls until additional advance payments are received. In addition, several minutes in advance of the depletion of the prepayment, the customer will be advised via announcement. If a consumer does not utilize the full amount of the monthly prepayment, the remaining balance will carry over to subsequent months until the balance is depleted.

10.2. Billing

Charges are billed in full minute increments

10.3 Rates and Charges:

\$.25 cents per minute, 24 hours a day, seven days a week
Monthly recurring fee: \$5.00 waivable monthly fee.

Issued: October 2, 2000

Effective: _____, 2000

by:

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